

# Dedication to Deliver

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**(Convenience translation of a report on compliance of annual report originally issued in Turkish)**

**THE REPORT ON COMPLIANCE OF THE ANNUAL REPORT**

To the General Assembly of Shareholders of Yapı ve Kredi Bankası A.Ş.:

We have audited the compliance and consistency of the financial information included in the annual report of Yapı ve Kredi Bankası A.Ş. ("The Bank") and its consolidated subsidiaries as of December 31, 2014 with the audited financial statements ended for the same period. The annual report is the responsibility of the Bank's management. Our responsibility, as independent auditors, is to express an opinion on compliance and consistency of the financial information included in the annual report with audited financial statements of the Bank, based on our audit report dated February 2, 2015.

We conducted our audit in accordance with principles and procedures set out by the regulations on preparation and issuance of annual report in the Banking Act No.5411, and with the Independent Auditing Standards which is a part of Turkish Auditing Standards promulgated by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") and article 397 of Turkish Commercial Code No. 6102. Such regulations require us to plan and perform the audit to obtain reasonable assurance whether or not the annual report is free from material misstatement. We believe that our audit provides a reasonable and sufficient basis for our opinion.

In our opinion, the financial information included in the accompanying annual report presents fairly, in all materials respects, the information regarding the financial position of Yapı ve Kredi Bankası A.Ş. as at December 31, 2014 in accordance with the principles and procedures set out by the regulations in conformity with article 40 of the Banking Act No.5411 and includes a summary of the Board of Directors' report and the independent auditor's report issued by us and is consistent with the audited financial statements.

***Report on other responsibilities arising from regulatory requirements***

In accordance with paragraph 3 of Article 402 of the Turkish Commercial Code 6102, within the framework of the Independent Auditing Standards 570 "Going Concern", no material uncertainty has come to our attention to be disclosed which causes us to believe that Yapı ve Kredi Bankası A.Ş. will not be able to continue as a going concern in the foreseeable future.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst & Young Global Limited



Ethem Kütüçü, SMMM  
Partner

İstanbul, February 26, 2015

**Part I**

# **Introduction**

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# Annual Shareholders' Meeting Agenda

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## 25 March 2015 Annual Shareholders' Meeting Agenda

1. Opening and the constitution of the Council for the Meeting,
2. Presentation of the Annual Activity Report of the Board of Directors, Financial Statements and Summary of Report of External Auditors related to 2014 activities as well as the consideration and approval of the Annual Activity Report and Financial Statements for 2014,
3. Submission of appointment made by the Board of Directors for the vacated membership of the Board of Directors during the year as per article 363 of Turkish Commercial Code for approval by the General Assembly,
4. Clearing of Members of the Board of Directors of liability related to 2014 activities of the Bank,
5. Approval of transactions regarding liquidation by sale of some Bank receivables that are being followed up on non-performing loan accounts and to clear Board Members regarding these transactions,
6. Determining the number and the term of office of Board Members, electing Members of the Board of Directors and Independent Members of the Board of Directors,
7. Submitting, according to the regulations of the Capital Markets Board, the Remuneration Policy for Members of Board of Directors and Senior Managers and the payments made within the scope of the Policy to the shareholders' knowledge and approval of the same,
8. Determining the gross attendance fees for Members of the Board of Directors,
9. Approval, approval with amendments or rejection of the proposal of the Board of Directors regarding the Dividend Distribution for 2014 created as per the Bank's Dividend Distribution Policy,
10. Approval of the Independent Audit Institution selected by the Board of Directors with the requirement of the regulation issued by the Banking Regulation and Supervision Agency and the Turkish Commercial Code,
11. Submitting according to the regulations of the Capital Markets Board, the donations and charities made by the Bank in 2014 to foundations and associations with the aim of social relief to the shareholders' knowledge and determining a ceiling amount for the donations in 2015 in line with the Banking Legislation and the regulations of the Capital Markets Board,
12. Granting permission to the shareholders holding management control, Members of the Board of Directors, Senior Managers and their spouses and blood relatives and relatives by virtue of marriage up to second degree in accordance with Articles 395 and 396 of the Turkish Commercial Code and submitting the transactions carried out in this context during 2014 to the shareholders' knowledge in line with the Capital Markets Board Corporate Governance Communique,
13. Wishes and comments.

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## Amendments to the Article of Association

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At the Ordinary Annual Shareholder's Meeting dated 27 March 2014, based on related regulations as well as the needs of the Bank, it was decided that 3 articles of the Bank's Articles of Association with the heading "purpose and subject" be amended.

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## Dividend Distribution Policy

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Principles regarding the Bank's dividend distribution are set out in detail in the Bank's Articles of Association. In this respect, shareholders taking into consideration the Bank's growth targets as well as its financing requirements and the opinion of the Banking Regulation and Supervision Agency (BRSA), are authorised to pass resolutions on whether the dividend distribution shall be in cash or in the form of capital increase, whereupon bonus shares will be issued to shareholders or if part of the distribution shall be in cash and part in the form of capital increase.

As per the Articles of Association, the General Assembly may decide to transfer a portion or all of the distributable profit to retained earnings or extraordinary reserves.

It is envisaged that the Dividend Distribution Policy of the Bank will be set out in a way to ensure the realisation of long-term growth plans. This policy is subject to revision by the Board of Directors whenever necessary, taking into consideration the domestic and international economic conditions and the projects and funds on the agenda.

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## Note on 2014 Net Profit

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It is resolved that of the TL 1,844,966,471.33 unconsolidated net profit for the accounting period, TL 92,248,323.57 be reserved as first legal reserve. Of the remaining TL 1,752,718,147.76 net distributable profit, TL 400,000,000.00 be distributed as gross cash dividend to shareholders, of which TL 217,352,564.20 as first gross cash dividend and TL 182,647,435.80 as second gross cash dividend. Furthermore, TL 18,264,743.58 be reserved as secondary legal reserve, TL 1,486,376.60 be set aside as special reserve (corresponding to 75% of the profit from the sale of the real estate and share stocks on the basis of Article 5 clause 1/e of the Corporate Tax Law 5520), TL 1,332,967,027.58 be set aside as extraordinary reserves. The related 2014 dividend distribution table, as given on page 5, was submitted at the Annual Shareholder's Meeting for approval.

# 2014 Dividend Distribution Table

| Yapı ve Kredi Bankası A.Ş. 2014 Profit Distribution Table (TL)                                 |  |                  |
|--|--|------------------|
| 1. Paid-in Capital   |  | 4,347,051,284.00 |
| 2. Legal Reserves (per Legal Book)   |  | 640,999,094.00   |
| Information on whether Articles of Association has any privilege regarding profit distribution |  | None             |
|  |  | Per legal book   |
| 3  | Gross Profit   | 2,369,625,152.33 |
| 4  | Reserve for Taxes ( - )  | 524,658,681.00   |
| 5  | Net Profit ( = )   | 1,844,966,471.33 |
| 6  | Prior Years' Losses ( - )  | 0                |
| 7  | Legal Reserves ( - )   | 92,248,323.57    |
| 8  | NET DISTRIBUTABLE PROFIT ( = )   | 1,752,718,147.76 |
| 9  | Donations made during the year ( + )   |                  |
| 10   | Net distributable profit including donations   |                  |
| 11   | 1st dividend to shareholders   | 217,352,564.20   |
|  | -Cash  | 217,352,564.20   |
|  | -Bonus shares  | 0                |
|  | -Total   | 217,352,564.20   |
| 12   | Dividend to shareholders which possess preferred shares  | 0                |
| 13   | Dividend to Members of Board of Directors and employees etc.   | 0                |
| 14   | Dividend to shareholders which possess redeemed shares   | 0                |
| 15   | 2nd dividend to shareholders   | 182,647,435.80   |
| 16   | Legal Reserves   | 18,264,743.58    |
| 17   | Statutory Reserves   | 0                |
| 18   | Special Reserves (75% of the real estate sale gain according to the 5. Article 1/e section of Corporate Tax Law number 5520) | 1,486,376.60     |
| 19   | EXTRAORDINARY RESERVES   | 1,332,967,027.58 |
| 20   | Other sources which are accepted as distributable  | -                |

| DIVIDEND RATIO TABLE |       |                       |            |  |                                      |           |
|----------------------|-------|-----------------------|------------|--|--------------------------------------|-----------|
|                      | GROUP | TOTAL DIVIDEND AMOUNT |            | TOTAL DIVIDEND AMOUNT/NET DISTRIBUTABLE PROFIT | DIVIDEND TO 1 TL NOMINAL VALUE SHARE |           |
|                      |       | CASH (TL)             | BONUS (TL) | RATIO (%)                                      | AMOUNT (TL)                          | RATIO (%) |
| GROSS                | -     | 400,000,000.00        | -          | 22.82%   | 0.0920164                            | 9.20164   |
| NET                  | -     | 340,000,000.00        | -          | 19.40%   | 0.0782139                            | 7.82139   |

\* Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%

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## Chairman's Message

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*Dear Shareholders,*

In 2014, the Turkish banking sector operated in a volatile environment due to both global and domestic developments. Globally, the timing and magnitude of FED rate increase, European Central Bank policy, geopolitical risks and the sharp decrease in oil prices towards the end of the year dominated the agenda. On the other hand, domestically, the operating environment was impacted by Central Bank of Turkey (CBRT) policy as well as local political developments including municipal and presidential elections.

Total loans in the banking sector increased by 18% annually to TL 1,179 billion while total deposits increased by 10% to TL 1,050 billion. Asset quality in the banking sector remained intact with non-performing loan ratio at 2.8%, indicating a 20 basis points increase compared to the end of 2013. Net income, on the other hand, was realised at TL 24.6 billion, indicating a 10% annual increase excluding the impact of Yapı Kredi Sigorta sale in 2013.

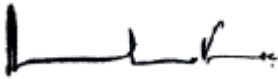
For Yapı Kredi, the 4th largest private bank in Turkey with total asset size of TL 195 billion, 2014 was of particular and special importance as it marked the Bank's 70<sup>th</sup> anniversary. Over the past 70 years, Yapı Kredi always broke new ground in line with its "Dedication to Deliver" philosophy and customer-centric approach. In 2014, the Bank sustained this focus and further accelerated its contribution to the financing of the Turkish economy by increasing the volume of total cash and non-cash loans by 27% to TL 174.3 billion. Accordingly, Yapı Kredi increased its ranking in this area by one notch to 3<sup>rd</sup> place among private banks.

In terms of sustainability, an area of critical importance in today's world and one that Yapı Kredi has always placed great emphasis on, the Bank recorded significant headway in 2014. Due to the Bank's successful performance in environmental, social and corporate governance related issues, Borsa Istanbul, in association with the London-based Ethical Investment Research Service (EIRIS), selected Yapı Kredi as one of only 15 BIST-30 companies to be included in its newly formed BIST Sustainability Index.

Building on its strong dedication to corporate governance, Yapı Kredi increased its corporate governance rating in 2014, which is granted based on the principles set by the Capital Markets Board, to 9.25 (out of 10) from 8.82 in 2013.

2014 was a successful year for Yapı Kredi marked by accelerated growth and solid profitability. This performance was also acknowledged by many respected international and domestic institutions with more than 30 prestigious awards throughout the year. The Bank received Turkey's "Most Innovative Bank" award by International Finance Magazine, was selected as the "Best Retail Bank in Turkey" by Global Banking and Finance Review and as the "Best Mobile Banking in Europe" by Global Finance. On the other hand, Yapı Kredi demonstrated its loyalty to ethical principles and values by winning Etika, one of the most prestigious awards in Turkey, for a second consecutive year.

I would hereby like to extend my thanks to all our customers and shareholders for their continuous support and our employees for their devoted efforts.



Mustafa V. Koç  
Chairman

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## CEO's Message

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*Dear Shareholders,*

2014 was a special year filled with pride for us as it was the 70<sup>th</sup> anniversary of Yapı Kredi. 2014 was also a year with significant importance since it was the first year of the Bank's growth-oriented investment strategy. This strategy aims primarily to strengthen the Bank's market positioning and ensure long-term sustainable profitability. This strategy, which positively differentiated Yapı Kredi throughout the year, was an important step also in light of regulatory changes and increasing competition, which have impacted the profitability levels of the banking sector over the past five years.

The main pillars behind the growth strategy were to enhance commercial effectiveness capabilities through investments primarily in headcount, ATMs and branches. Accordingly, in 2014, Yapı Kredi increased its headcount by 1,850 to 18,500 thereby increasing market share in this area by 80 basis points to 8.7%. At the same time, with the opening of 60 new branches, total number branches exceeded 1,000 leading to a market share increase of 30 basis points to 8.9%. Accordingly, the Bank increased its ranking in terms of number of branches by 2 notches to 3<sup>rd</sup> place. Additionally, 606 new ATMs were deployed bringing the total network to 3,606 ATMs. As a result, the market share of the Bank in ATMs reached 7.9% with an increase of 80 basis points.

In terms of innovation, the Bank introduced a new branchless direct banking service model "NUVO" and redesigned its customer experience processes. The Bank also enhanced its already award-winning internet banking among other commercial effectiveness related initiatives.

One of the key achievements of the growth strategy and a crucial factor in terms of sustainability was the significant acceleration in customer acquisition. In 2014, Yapı Kredi increased its customer base by around 600 thousand which indicates a 2.7 times acceleration in customer acquisition compared to previous years. Accordingly, total number of customers reached 10.6 million as of the end of 2014.

Another important development in 2014 was the substantial market share gains in both cash loans and deposits. Total cash loans increased by 26% annually to TL 125.5 billion, leading to 70 basis points market share gain to 10.2%. Remixing of loan book continued towards more profitable segments such as TL company, general purpose and SME loans. The Bank also confirmed its leadership in credit cards.

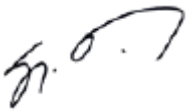
Meanwhile, total deposits increased by 22% annually to TL 107.6 billion, leading to 90 basis points market share gain to 10.0%. Also focusing on funding diversification throughout the year, Yapı Kredi raised US\$ 5.7 billion through syndications, securitisations, bond issuances and other financial instruments in 2014.

Despite its strong growth in loans, Yapı Kredi was able to maintain a solid capital adequacy ratio of 15.0%. In terms of asset quality, the Bank recorded a better than sector evolution with non-performing loans ratio decreasing by 10 basis points annually, compared to a 20 basis points increase in the sector.

During the year, Yapı Kredi was able to achieve a consistently increasing trend in quarterly net income also supported by the investments made primarily in the beginning of the year. As of the end of 2014, Yapı Kredi recorded a consolidated net income of TL 2,056 million and 12.0% return on average tangible equity.

In 2015, Yapı Kredi will continue to positively differentiate itself through its customer-oriented banking approach and reinforce its leading position in the areas it has determined. Within the scope of this vision, the Bank will continue to invest in its network and further enhance commercial effectiveness.

I would like to take this opportunity to thank our customers and shareholders for their trust and our employees for their continuous efforts while we progress with our "Smart Growth" strategy.



Faik Açıkalın  
CEO



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# Vision, Mission and Strategy

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## Vision

To be the undisputed leader in the finance sector

## Mission

To ensure long-term sustainable growth and value creation for all stakeholders, and become the first choice of customers and employees

## Strategy

**Healthy and consistent growth:** Focus on core banking activities, growth in value generating segments and products, continuous improvement in commercial effectiveness, expansion of market presence and funding diversification to sustain long-term performance

**Strong and sustainable profitability:** Address specific customer needs via segment-based service model, optimise cost to serve to improve competitiveness and maintain effective cost, risk and capital management

**Superior and long-lasting customer satisfaction:** Enhance easy to work with approach through continuous investments in technology and delivery channels while maintaining focus on innovation, employee satisfaction and loyalty

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# Values

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**Freedom:** Yapı Kredi employees express their opinions easily through appropriate and constructive methods; they act in accordance with the Bank's values and contribute to the future of the Bank.

**Respect:** Yapı Kredi employees listen to their customers and colleagues, irrespective of their identities, to understand their needs. They respect the opinion of others and know that their opinions and ideas also count.

**Fairness:** Yapı Kredi employees treat their customers, colleagues and the Bank's stakeholders in a consistent manner without seeking personal gain; they make objective decisions and act in accordance with their values while focusing on corporate and social responsibility.

**Transparency:** Yapı Kredi employees share relevant corporate information with their customers, colleagues and other stakeholders in a transparent and timely manner while adhering to the Bank's confidentiality principles and ensuring accessibility; they express their opinions with the same degree of transparency.

**Trust:** Yapı Kredi employees build relationships based on trust with all relevant parties utilising their banking knowledge, skills and commitment to corporate values; they trust those that they grant responsibility and authority to. Consistent with the Bank's corporate values, Yapı Kredi employees keep their promises in a timely and accurate manner. They take responsibility for their customers' problems, find rapid solutions and follow up on the results.

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# History

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**The Origins:** Established in 1944 as Turkey's first retail focused private bank with a nationwide presence, Yapı Kredi has always played a pioneering role in the banking sector. Since its origins, Yapı Kredi has maintained a strong reputation in the banking sector leveraging on its customer-centric approach, dedication to innovation and contribution to the development of the financial sector in Turkey. In 2006, Yapı Kredi successfully completed the largest merger in the Turkish banking sector. The merger between Koçbank (8<sup>th</sup> largest bank) and Yapı Kredi (7<sup>th</sup> largest bank) formed the new Yapı Kredi, which became the 4<sup>th</sup> largest private bank. Since the merger, Yapı Kredi has consistently delivered a sustainable and strong performance.

## 2006: Merger and Integration

- Legal merger of Yapı Kredi and Koçbank
- Merger of the two banks' core subsidiaries operating in the same sectors
- Restructuring of the capital base
- Integration of information technology systems

## 2007: Restructuring

- Launch of branch expansion
- Completion of segment based service model
- Streamlining governance by bringing subsidiaries under the Bank
- Efficiency initiatives in systems and processes

## 2008: Re-launch of Growth

- Acceleration of branch expansion
- Innovation in product, service and delivery channels
- Tight cost discipline and emphasis on decreasing cost to serve
- Strengthening of capital base via capital increase

## 2009: Global Crisis

- Temporary suspension of branch expansion
- Continuous support for customers
- Tight cost management and efficiency efforts
- Proactive credit risk management

## 2010: Back to Strong Growth

- Re-launch of branch expansion
- Focus on innovation and customer acquisition
- Above sector growth and tight cost discipline
- Simplification of processes and improvement in efficiency

## 2011: "Smart Growth"

- Continuation of branch expansion
- Growth in value generating segments and products
- Sustainable revenue generation and tight cost control
- Diversification of funding base

## 2012: "Smart Growth"

- Continuation of branch expansion
- Growth in value generating segments and products
- Focus on core banking and disciplined cost control
- Diversification of funding base

## 2013: Continuation of Smart Growth

- Continuation of branch expansion
- Strengthening of capital base
- Effective liquidity management via balanced growth in loans and deposits
- Sustainable revenue generation via growth in value generating segments

## 2014: Growth Oriented Investment Strategy

- Balanced growth in both loans and deposits with strong market share gains
- Service network expansion (headcount, branch, ATM)
- Focus on innovation and customer acquisition
- Continued focus on solid capital base and maintaining healthy liquidity profile

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## Yapı Kredi at a Glance

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Yapı Kredi has sustainably been strengthening its positioning in the sector since its establishment in 1944 through a customer-centric approach and focus on innovation. Yapı Kredi is the **4<sup>th</sup> largest private bank in Turkey** with **total asset size of TL 195 billion** as of 2014. **Constantly in the pursuit of increasing its contribution to the financing of the Turkish economy**, Yapı Kredi increased the volume of its cash and non-cash loans by 27% annually to TL 174.3 billion. Accordingly, Yapı Kredi increased ranking in this area by one notch to 3<sup>rd</sup> place among private banks in 2014.

Yapı Kredi serves **10.6 million customers** through a widespread and multi-channel service network. The Bank's branch network consists of **over 1,000 branches** covering all regions of Turkey supported by dynamic employee base of **more than 18,500 people**. Yapı Kredi's Alternative Delivery Channels (ADCs) comprise of **3,606 ATMs**, **innovative internet banking**, leading **mobile banking**, **3 award winning call centers** and **500 thousand POS** terminals. These ADCs handle 83% of total banking transactions.

Yapı Kredi is a fully integrated financial services group supported by its domestic and international subsidiaries. Yapı Kredi serves its customers through **retail banking** (comprising of individual banking, Small and Medium Size Enterprises (SME) banking and card payment systems), **corporate and commercial banking** as well as **private banking and wealth management**. The Bank's operations are supported by **domestic subsidiaries** in asset management, brokerage, leasing and factoring as well as **international banking subsidiaries** in the Netherlands, Russia and Azerbaijan.

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## Shareholding Structure

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Yapı Kredi has a strong shareholding structure which ensures sustainable and profitable growth. 81.8% of the Bank's shares are owned by Koç Financial Services, a 50%-50% joint venture between UniCredit Group and Koç Group. The remaining 18.2% is publicly traded on Borsa Istanbul and Global Depositary Receipts that represent the Bank's shares are quoted on the London Stock Exchange.

**Koç Group**, founded in 1926, is the largest conglomerate in Turkey with its turnover, exports and 81 thousand employees. Koç Group's turnover comprise 8% of Turkey's total Gross Domestic Product (GDP) and exports comprise 10% of Turkey's total exports.

**UniCredit Group**, with roots dating back to 1473, is a systematically important European financial institution based in Italy. The Group has a widespread network of 9,000 branches and 148 thousand employees in 17 countries.

| Shareholding Title     | Share Price (TL)        | Share Ratio (%) |
|------------------------|-------------------------|-----------------|
| Koç Financial Services | 3,555,712,396.07        | 81.80           |
| Other                  | 791,338,887.93          | 18.20           |
| <b>Total</b>           | <b>4,347,051,284.00</b> | <b>100.00</b>   |

# Positioning

|  | Share | Ranking |
|--|-------|---------|
| <b>Total Bank</b>                                |       |         |
| Cash Loans                                       | 10.2% | 5       |
| Cash Loans in Turkish Lira                       | 10.1% | 5       |
| Cash Loans in Foreign Currency                   | 10.6% | 4       |
| Deposits   | 10.0% | 5       |
| Deposits in Turkish Lira                         | 10.0% | 6       |
| Deposits in Foreign Currency                     | 10.0% | 5       |
| <b>Delivery Channels</b>                         |       |         |
| Employees <sup>(1)</sup>                         | 8.7%  | 4       |
| Branches <sup>(1)</sup>                          | 8.9%  | 3       |
| ATMs   | 7.9%  | 5       |
| Internet Banking                                 | 13.1% | -       |
| Mobile Banking                                   | 11.6% | -       |
| <b>Retail Banking</b>                            |       |         |
| Credit Card Outstanding                          | 20.8% | 1       |
| Credit Card Issuing                              | 18.6% | 1       |
| Commercial Credit Card Outstanding               | 34.3% | 1       |
| Credit Card Acquiring                            | 20.0% | 1       |
| Number of Credit Cards                           | 17.9% | 1       |
| Consumer Loans                                   | 8.8%  | 6       |
| General Purpose Loans                            | 8.1%  | 7       |
| Mortgages  | 9.6%  | 6       |
| Auto Loans                                       | 10.8% | 4       |
| Commercial Installment Loans                     | 6.7%  | 6       |
| <b>Corporate and Commercial Banking</b>          |       |         |
| Corporate Loans                                  | 9.6%  | 5       |
| Non-Cash Loans                                   | 13.8% | 1       |
| Leasing Transaction Volume                       | 18.3% | 1       |
| Factoring Turnover                               | 16.9% | 1       |
| Cheque Clearing                                  | 11.0% | 1       |
| <b>Private Banking and Wealth Management</b>     |       |         |
| Mutual Funds                                     | 18.0% | 2       |
| Borsa Istanbul Transaction Volume <sup>(2)</sup> | 12.0% | 1       |
| Equality Transaction Volume                      | 7.4%  | 2       |

(1) Bank only employee number: 17,457; Bank only branch number: 1,003

(2) Includes repo, reverse repo, treasury bills, government bonds, equity and derivative transaction volume

# Summary Financials

|   | 2013  | 2014  | Growth   |
|---|-------|-------|----------|
| <b>Volumes</b>                                      |       |       |          |
| Assets (billion TL)                                 | 160.3 | 195.0 | 22%      |
| Cash + Non-Cash Loans (billion TL)                  | 137.5 | 174.3 | 27%      |
| Cash Loans (billion TL)                             | 99.4  | 125.5 | 26%      |
| Deposits (billion TL)                               | 88.5  | 107.6 | 22%      |
| <b>Profitability</b>                                |       |       |          |
| Revenues (million TL)                               | 8,058 | 8,754 | 9%       |
| Operating Expenses (million TL)                     | 3,543 | 4,146 | 17%      |
| Net Income (million TL) <sup>(1)</sup>              | 2,375 | 2,056 | -13%     |
| Return on Average Tangible Equity <sup>(1)(2)</sup> | 16.7% | 12.0% | -470 bps |
| Return on Asset <sup>(1)</sup>                      | 1.5%  | 1.1%  | -40 bps  |
| Cost/Income Ratio                                   | 44%   | 47%   | +3 pp    |
| <b>Capital and Liquidity</b>                        |       |       |          |
| Bank Capital Adequacy Ratio                         | 16.0% | 15.0% | -100 bps |
| Bank Tier-1 Ratio                                   | 11.1% | 10.9% | -20 bps  |
| Bank Leverage <sup>(3)</sup>                        | 7.6 x | 8.5 x | +0.9x    |
| Bank Loans/Deposits Ratio                           | 110%  | 115%  | +5 pp    |
| <b>Asset Quality</b>                                |       |       |          |
| Non-Performing Loans Ratio                          | 3.5%  | 3.4%  | -10 bps  |
| Total Coverage <sup>(4)</sup>                       | 107%  | 113%  | +6 pp    |
| Cost of Risk <sup>(5)</sup>                         | 1.27% | 1.17% | -10 bps  |

(1) 2013 net income excludes TL 1.3 billion capital gain from the sale of Yapı Kredi insurance. Net Income including the sale is TL 3,659 million

(2) Net Income/Average Shareholders' Equity. Average Shareholders' Equity is calculated by subtracting TL 979 million of goodwill generated from the merger of Koçbank and Yapı Kredi in 2006

(3) (Total Assets-Shareholders' Equity)/Shareholders' Equity

(4) Indicates specific and general provision coverage

(5) Cost of Risk=(Total Loan Loss Provisions-Collections)/Total Gross Loans

Note: pp (percentage points), bps (basis points) indicate difference between ratios

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# 2014 Awards

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## Banking

|                                      |  |
|--------------------------------------|--|
| One of the Three Top Banks in Turkey | Capital Magazine                       |
| Best Retail Bank Turkey              | Global Banking and Finance Review      |
| Best Private Banking Turkey          | World Finance                          |
| Best Branch Service                  | Innovative Owl Award                   |
| Most Innovative Bank                 | International Finance Magazine         |
| Best Bank in Cash Management         | Euro Money                             |
| The Most Ethical Company in Turkey   | Ethical Values Center Association      |
| Internal Audit Awareness             | Turkish Institute of Internal Auditors |
| Best Philanthropy Service            | Private Asset Management Magazine      |
| Private Banking Innovation           | Private Asset Management Magazine      |

## Credit Cards

|   |                                       |
|---|---------------------------------------|
| Leading Bank in Visa Credit Card Transaction Volume               | Visa Europe                           |
| Leading Bank in Visa Commercial Credit Card Transaction Volume    | Visa Europe                           |
| Play Card Hürriyet Newspaper Project - Certificate of Achievement | Mediacat 9 <sup>th</sup> Felis Awards |

## Alternative Delivery Channels

|   |                          |
|---|--------------------------|
| Best Mobile Banking in Europe                   | Global Finance           |
| Outstanding Achievement Award in Website Design | Interactive Media Awards |
| Google Case Study                               | Google                   |
| Excellence in Financial Services Category       | The Communicator Awards  |
| Distinction in Banking/Bill Payment Category    | The Communicator Awards  |
| Distinction in Corporate Identity Category      | The Communicator Awards  |

## Human Resources and Yapı Kredi Banking Academy

|  |   |
|--|---|
| Most Admired Job Listing of the Year       | Kariyer.net                                 |
| The Company with the Most Job Applications | Kariyer.net                                 |
| Respect for People Award                   | Kariyer.net                                 |
| Best-in-Class Corporate University         | International Quality & Productivity Center |
| Excellence in Talent Development           | International Quality & Productivity Center |

## Subsidiaries

|   |                                   |
|---|-----------------------------------|
| Yapı Kredi Invest: Best Derivatives House                               | Global Banking and Finance Review |
| Yapı Kredi Invest: Best Equity House                                    | Global Banking and Finance Review |
| Yapı Kredi Invest: Most Innovative Brokerage House                      | Global Banking and Finance Review |
| Yapı Kredi Invest: Most Innovative Equity House                         | Global Banking and Finance Review |
| Yapı Kredi Asset Management: Best Asset Manager                         | EMEA Finance Magazine             |
| Yapı Kredi Asset Management: Best Asset Management Company              | World Finance                     |
| Yapı Kredi Asset Management: Best Asset Management Company              | International Finance Magazine    |
| Yapı Kredi Asset Management: Best Asset Management Company              | Global Banking and Finance Review |
| Yapı Kredi FaCtoring: Second Best Export Factoring Company in the World | Factor Chain International        |
| Yapı Kredi Azerbaijan: Best New Retail Bank in Azerbaijan               | Global Banking and Finance Review |
| Yapı Kredi Azerbaijan: Most Innovative Corporate Bank in Azerbaijan     | Global Banking and Finance Review |

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# Service Model

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## Retail Banking

Includes Card Payment Systems, Individual Banking and SME banking. Individual Banking serves individuals with total personal financial assets up to TL 500 thousand and SME Banking serves companies with annual turnover of less than US\$ 10 million.

### Breakdown by Business Unit

---

|               |            |               |
|---------------|------------|---------------|
| Revenues: 49% | Loans: 50% | Deposits: 34% |
|---------------|------------|---------------|

## Corporate and Commercial Banking

Serves companies with annual turnover more than US\$ 10 million, sub-segmented under commercial (between US\$ 10-100 million) and corporate (over US\$ 100 million).

### Subsidiaries

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Yapı Kredi Leasing  
Yapı Kredi Factoring  
Yapı Kredi Nederland  
Yapı Kredi Moscow  
Yapı Kredi Azerbaijan  
Yapı Kredi Malta<sup>(1)</sup>

## Private Banking and Wealth Management

Serves customers with total personal financial assets above TL 500 thousand.

### Breakdown by Business Unit

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|              |             |               |
|--------------|-------------|---------------|
| Revenues: 3% | Loans: 0.3% | Deposits: 24% |
|--------------|-------------|---------------|

### Subsidiaries

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Yapı Kredi Asset Management  
Yapı Kredi Invest

Notes: Business unites account for 84% of total revenues. The remaining 16% of revenues is attributable to treasury and other operations

Yapı Kredi's other subsidiaries include Yapı Kredi Koray Real Estate Investment Company, Banque de Commerce et de Placements, Yapı Kredi Culture, Art and Publishing as well as Allianz Yaşam ve Emeklilik

(1) Established in 2014. Banking activities will start in 2015

# Retail Banking: Card Payment Systems

## Profile

|               |              |
|---------------|--------------|
| Credit Cards  | 10.2 million |
| Debit Cards   | 7.5 million  |
| Customers     | 5.7 million  |
| POS Terminals | 501 thousand |

## Positioning

|                                    | Market Shares | Ranking |
|------------------------------------|---------------|---------|
| Credit Card Outstanding            | 20.8%         | 1       |
| Credit Card Issuing                | 18.6%         | 1       |
| Commercial Credit Card Outstanding | 34.3%         | 1       |
| Credit Card Acquiring              | 20.0%         | 1       |
| Number of Credit Cards             | 17.9%         | 1       |

## Awards

|  |                           |
|--|---------------------------|
| Leading Bank in Visa Credit Cards Transaction Volume             | Visa Europe               |
| Leading Bank in Visa Commercial Credit Card Transaction Volume   | Visa Europe               |
| PlayCard Hurriyet Newspaper Project – Certificate of Achievement | Mediacat 9th Felis Awards |

## Institution

## Products and Services

Worldcard, World Gold, World Platinum, Play, taksitçi, World Eko, Opet Worldcard, Fenerbahçe Worldcard, KoçAilem Worldcard, adios, adios Premium, Crystal, World Business, Debit cards (TLcard, Play TLcard, Business TLcard), World Gift Card

### Sustained leadership for more than 25 years

Yapı Kredi has been the leader in card payment systems since 1988 and operates with the primary goal of always exceeding customer expectations. In 2014, the Bank continued its innovative approach and maintained its leading position in the sector with over 10 million credit cards. According to the 2014 Nilson Report, Yapı Kredi's credit card program, World, is the 7<sup>th</sup> largest in Europe while the Bank ranks 43<sup>rd</sup> in the world with 1 notch improvement compared to the previous year.

Yapı Kredi finished 2014 with strong growth in number of credit cards and issuing volume despite intense competition and increasing regulation. Throughout the year, the Bank focused on customer acquisition, retention and cross-sell activities while maintaining a disciplined approach to instalments and loyalty points. Due to the impact of regulations on the profitability of the credit card business, Yapı Kredi started initiatives to fine-tune its business model to ensure long-term sustainability.

In terms of volumes, Yapı Kredi maintained its leadership with TL 17.8 billion credit card outstanding volume, TL 88 billion issuing volume and TL 96 billion acquiring volume. The Bank also remained leader in commercial credit cards with TL 4.2 billion outstanding volume as of 2014.

### Continuous focus on innovation

In light of intense competition and increasing regulation, Yapı Kredi focused on several innovative projects throughout the year to increase issuing and acquiring volume and boost customer satisfaction:

- Developing post-instalment features to enable customers to make instalments after their transactions through an SMS message
- Improving "World Shopping Assistant" mobile application via implementation of iBeacons to provide customers micro-location based offers
- Launching a Purchase Loan product to facilitate instalment offers to customers
- Focusing on supporting Interbank Card Center (BKM) Express, the national wallet platform to promote e-commerce payments, also by providing fast, secure and 24/7 money sending options via the BKM Express mobile application

### Pioneer in merchant business

Yapı Kredi's dynamic merchant network has always played a pioneering role in the Turkish acquiring business. In 2014, the Bank continued to lead the sector with increased focus on customer satisfaction through more than 80 campaigns per month via 245 thousand loyalty merchants. Accordingly, the Bank increased its total POS terminals to over 500 thousand and maintained its positioning as the undisputed leader. Yapı Kredi also continued its World brand licensing partnerships with Anadolubank, TEB, Vakıfbank and AlBaraka Türk. As a result, the total number of credit cards under the World platform exceeded 14 million.

In 2014, acquiring business was impacted both by market volatility as well as regulatory changes. In this regard, Yapı Kredi focused on ensuring sustainability of the business by responding to regulatory changes and increasing the number of merchants through timely actions:

- Introducing three new Fixed Priced POS packages to allow businesses to operate with a fixed monthly fee and provide fee exemptions for all transactions below certain turnover limits
- Aligning systems with the mandatory switch to ECR POS usage for Mobile POS users. Accordingly, number of ECR POS firms working with Yapı Kredi increased and infrastructural integrations were completed. In addition, necessary IT improvements to adapt to expected regulations converting Desktop POS terminals to ECR POS terminals by 2016 were started
- Implementing system improvements to ensure compliance to new a regulation restricting instalments for certain sectors
- Revising the merchant acquisition process to simplify applications
- Renewing the corporate internet banking and mobile banking applications as well as improving merchant functions



## Future Outlook

- Finalise implementation of a renewed infrastructure to support profitability
- Increase acquiring business and improve merchant payment infrastructure to increase usage of World branded cards
- Increase usage of contactless transactions in order to keep pace with international and domestic regulations
- Enhance existing card acquisition channels to further accelerate customer acquisition
- Organise campaigns and enhance product features to increase usage of debit cards

## Retail Banking: Individual Banking

### Profile

|                       |             |
|-----------------------|-------------|
| Customers             | 9.5 million |
| Branches              | 912         |
| Relationship Managers | 1,851       |

### Positioning

|                       | Market Shares | Ranking |
|-----------------------|---------------|---------|
| Consumer Loans        | 8.8%          | 6       |
| General Purpose Loans | 8.1%          | 6       |
| Mortgages             | 9.6%          | 6       |
| Auto Loans            | 10.8%         | 4       |

### Awards

Best Retail Bank in Turkey  
Best Branch Service

### Institution

Global Banking and Finance Review  
Innovative Owl Award

### Products and Services

Mortgages, Home Equity Loans, Home Improvement Loans, General Purpose Loans, Auto Loans, FordFinans, Individual Flexible Account, Product Bundles, Bill Payments, Regular Payments, Rent Payments, University Payments, Safety Deposit Box, Deposits (Time Deposit, Demand Deposit, Flexible Time Deposit, Fund Deposit, Gold Deposit, 5D Deposit), Scrap Gold Collection, Working Account, Private Pensions, Health insurance, Life insurance, Property and Casualty Insurance, Snowball

## Value generating accelerated growth

In individual banking, Yapı Kredi serves customers with total personal financial assets up to TL 500 thousand a wide range of value generating products and services. Individual Banking is divided into the Mass segment (up to TL 50 thousand) and the newly renamed Affluent Segment, Platinum (between TL 50-500 thousand). Additionally, Yapı Kredi coordinates all its insurance activities under retail banking through a dedicated Bancassurance unit.

Retail Banking is one of the main drivers of Yapı Kredi's growth strategy. In this respect, Yapı Kredi focused on customer acquisition and market share gains in value generating areas in 2014. As a result, Yapı Kredi recorded strong loan growth in retail banking despite the competitive and volatile operating environment.

In 2014, Yapı Kredi initiated a new project titled "The Five Senses", which aims to standardize the physical aspects of branches and therefore, enhance brand image. The project is currently implemented in 4 pilot branches in which the office equipment and hardware were replaced. Fragrance and music standardization is planned for the next phase.

## Mass Segment

In 2014, Yapı Kredi enhanced its customer-oriented strategy and further improved customer experience through an integrated multi-channel approach. During the year, the number of Retail Banking branches increased by 8% and reached 912. At the same time, Yapı Kredi also further enhanced its digital platforms. In May 2014, the Bank launched NUVO, its branchless direct banking service model with advantageous interest rates and free banking services. The platform incentivises customers to join by offering easy access to services tailored to meet the needs of different customers.

Yapı Kredi's successful customer acquisition strategy in 2014 was also supported by increased focus on payroll customers. As of the end of 2014, the Bank reached over 1.2 million payroll customers, indicating an annual growth of 36%.

In 2014, Yapı Kredi improved Western Union and safe deposit box products and integrated them into its core banking system. To further enhance customer experience and increase sales, the Bank developed cross-sell screens, enabling multiple product sales to customers at one time in a single process. Furthermore, teller line employees in branches started to support sales while at the same time maintaining current high service quality.

In terms of general purpose loans and mortgages, areas of focus as part of the Bank's growth oriented investment strategy, the Bank recorded annual growth of 46% and 22%, reaching TL 12.2 billion and TL 11.0 billion, respectively. During the same period, in line with the Bank's risk approach, auto loan volume declined by 39% annually to TL 700 million. Meanwhile, cooperation with Ford Otosan, providing exclusivity to the Bank in loans granted for Ford branded vehicles since 2008, continued in 2014.

## Platinum Segment

Yapı Kredi's Platinum Segment customers are provided tailored and unique services through 407 branches and 511 dedicated relationship managers. Platinum Segment customers are also offered non-financial advisory services in areas such as travel and health.

In 2014, Yapı Kredi launched two new investment products:

- Platinum Fund: a package including a variety of financial instruments such as foreign currency, precious metals, bonds, equities in one investment product, which is advantageous especially in changing market conditions
- İlk Param: a long-term investment product which saves money via automatic withdrawal from either demand deposit or credit card account for the future needs of the customer's children

Platinum segment provides the Bank a strong base for deposit growth. In 2014, Yapı Kredi recorded 22% annual growth in total deposits by continuing to leverage on its one-to-one deposit pricing approach, which allows deposit rates to be determined based on customer price elasticity.

In mortgages, Yapı Kredi's success is supported by a wide range of tailored products, 700 specially trained mortgage experts, newly launched mortgage bulletin with special offers as well as dedicated info line and website. Additionally, the Bank collaborates with real estate developers and real estate agents to offer mortgages for housing projects. In 2014, share of new mortgage acquisition from developers increased by 20%. Additionally, life insurance penetration increased from 30% to 60%.

In 2014, as a result of continued customer-centric approach, customer satisfaction in Platinum segment increased according to the global TRIM index.

## Bancassurance

Yapı Kredi considers bancassurance an area with strong growth potential. As a well-established bank, Yapı Kredi has a large base of customers in need of both insurance and pension products.

Yapı Kredi is the bancassurance leader in health insurance with 43% market share. Furthermore, the Bank increased its ranking in the life insurance by 2 notches to 3<sup>rd</sup> place. In private pension funds, the Bank ranks 4<sup>th</sup> with 15% market share.

## Future Outlook

- Continue to focus on smart and profitable growth leveraging on increased efficiency in lending processes
- Expand customer base with emphasis on payroll customers and cross-sell
- Improve the service model in Platinum segment leveraging on multi-channel approach and customer preferences

# Retail Banking: SME Banking

### Profile

|                       |           |
|-----------------------|-----------|
| Customers             | 1 million |
| Branches              | 912       |
| Relationship Managers | 1,909     |

### Positioning

|                              | Market Shares | Ranking |
|------------------------------|---------------|---------|
| SME Loans                    | 11.9%         | -       |
| Commercial Installment Loans | 6.7%          | 6       |

### Products and Services

Commercial Installment Loans, Revolving Loans, Flexible Commercial Accounts, Product Bundles, POS and Merchant Services, Agricultural Loans, Cash Management Products, Investment Products, Commercial Credit Cards, Commercial Purchasing Cards, New Packages (Defne, Nar, Palmiye, Sedir, Çam), Corporate Mobile Banking, SME Kredi Şimdi, Verimli Kart

## Locomotive for sustainable growth

Yapı Kredi serves its SME (Small and Medium Sized Enterprises) customers through a tailored approach and wide product offerings. In Turkey, there are approximately 3.2 million SMEs as well as 3 million farmers and agricultural producers, of which a large portion is still underbanked. Accordingly, SME banking has strong growth potential and is considered a locomotive segment in the banking sector, also supported by government policies and incentives.

SME banking is one of the main drivers of Yapı Kredi's growth strategy. Accordingly, SME loans increased by 49% annually and reached TL 36.1 billion supported by customer acquisition activities, service enhancements, support of regional organizations and innovative products.

Customer acquisition continued to be one of the Yapı Kredi's main priorities in SME banking in 2014. Accordingly, the Bank's total number of SME customers reached over 1 million. Customer acquisition activities were also supported by SME Hunters, a dedicated team formed in 2012 with the sole purpose of acquiring new customers. During the year, 21% of all new SME customers were acquired by this high performing team.

In 2014, the lending volume generated by Remote Relationship Managers, providing a more rapid and proactive service through phone calls, doubled due to increased efficiency and cross-sell opportunities.

During the year, Yapı Kredi also expanded the range of banking product packages that offer special advantages to SME customers. In addition to the existing Çam and Sedir packages, with the announcement and promotion of Defne for micro-SMEs, Palmiye for tourism sector customers and Nar for agricultural customers, total number of banking package customers increased by 30% annually to over 200 thousand.

#### **Support via overseas funds to SMEs**

In 2014, Yapı Kredi took part in 6 loan programs in conjunction with supranational organisations to provide longer maturity and discounted interest rate funding for its SME customers. Throughout the year, Yapı Kredi provided over TL 100 million in loan support to SMEs through agreements with the Greater Anatolia Guarantee Facility (GAGF), European Bank of Reconstruction and Development (EBRD), International Finance Corporation (IFC), Turkey Agriculture Financing Facility (TURAFF) and Turkey Sustainable Energy Financing Facility (TURSEFF). Yapı Kredi also continued to cooperate with the Small and Medium Industry Development Organization (KOSGEB) and Credit Guarantee Fund (CGF) to provide government subsidised loans to small businesses.

#### **Agricultural Banking**

Yapı Kredi provides customers tailored products and services for all parts of the agricultural value chain and support in terms of agricultural productivity and modernization through 223 branches and dedicated relationship managers in 51 branches located in agricultural regions.

In 2014, Yapı Kredi re-launched Verimli Kart by customizing products in line with farmers' needs. The Bank also improved agricultural product infrastructures (TKDS) to be more user friendly. As a result, agricultural loan volume increased by 52% annually to TL 1.3 billion and the number of agricultural customers increased by 39% to over 200 thousand in 2014.

#### **Future Outlook**

- Enhance product and service offerings to further support the real economy
- Accelerate customer acquisition through an increased focus on business model development
- Increase digital presence and foster mobilization
- Increase market share and product usage in agricultural banking through new loan products and regional collaborations

# Corporate and Commercial Banking

## Profile

|                       |             |
|-----------------------|-------------|
| Customers             | 39 thousand |
| Branches              | 63          |
| Relationship Managers | 514         |

## Positioning

|                 | Market Shares | Ranking |
|-----------------|---------------|---------|
| Company Loans   | 9.6%          | 5       |
| Cheque Clearing | 11.0%         | 1       |
| Imports         | 13.8%         | -       |
| Exports         | 15.3%         | -       |

## Awards

|   |                               |
|---|-------------------------------|
| Best Bank in Cash Management  | Institution                   |
| Middle East & Africa Turkish Deal of the Year for Mersin Port           | Euro Money                    |
| Best Transport Infrastructure Deal of the Year for Gebze-Izmir Motorway | Project Finance International |
|   | EMEA Finance                  |

## Products and Services

Letter of Guarantee, Money Transfers, Working Capital, Long-Term Loans, Project Finance, Direct Debit, BANKO-OHES, Payment Products, Collection Products, Public Payments, Derivatives, Import and Export Letter of Credit, Documentary Collection, Payments, Letters of Guarantee, Import and Export Financing Products (ECA's, Banker's Acceptance, Post Financing, Trade Loans, Forfaiting, Import and Prefinancing Promissory Note Avalisation, T.Eximbank Credits), Corporate Finance Advisory, Financial Advisory, Business Cards, POS, Energy Generation and Distribution, Infrastructure Products, Commercial Real Estate Products, Merger and Acquisition Financing, Corporate Structured Finance

## Cementing leading position through innovation

Yapı Kredi is one of the leading banks in Turkey in Corporate and Commercial Banking with strong focus on forming deep-rooted customer relationships. In this area, the Bank provides effective, innovative and high quality services to more than 39 thousand Corporate and Commercial Banking customers through 63 branches covering all regions of Turkey. In addition to its extensive domestic network, the Bank also maintains an international presence with subsidiary banks in various countries as well as an off-shore banking unit in Bahrain.

In 2014, Yapı Kredi effectively differentiated in the sector by focusing on utilisation of innovative tools and comprehensive product offerings. During the year, the Bank also concentrated on infrastructure enhancements and process improvements in Corporate and Commercial Banking:

- Introducing Smile Plus, a new credit assessment and loan disbursement module which led to decrease in customer response time and resulted in higher customer satisfaction
- Launching ROTA, a new tool which integrates loan pricing with sales activities in a single end-to-end process to ensure sustainable growth and enhance customer relationships
- Focusing on operational process enhancements to ensure more rapid service

In 2014, as a result of continued customer-centric approach, customer satisfaction in Corporate and Commercial Banking according to globally accepted TRIM index increased by 13%, reaching the highest level.

## Project and Structured Finance

Yapı Kredi, with its strong balance sheet, is one of the top three banks in long-term project and structured finance in Turkey. The Bank also leverages on strong cooperation and synergies with UniCredit and provides underwriting for sizeable projects with emphasis on forming long-term partnerships. Through its sectoral expertise and focus on excellence, the Bank focuses primarily on energy (66% of the Bank's total project finance portfolio), acquisition finance (17%), infrastructure projects (13%) and real estate transactions (7%).

Project finance is one of the main drivers of Yapı Kredi's growth strategy. In 2014, Yapı Kredi registered a strong performance in project finance lending and participated in the financing of 28 new projects. During 2014, US\$ 2.4 billion cash and non-cash loan disbursement was realised and the Bank reached a total underwriting amount of US\$ 12 billion in project finance via 196 projects.

One of the Bank's key strengths in project finance is environmentally friendly renewable energy projects. In this area, Yapı Kredi's total underwriting amount reached US\$ 3.4 billion in 2014 with a total installed capacity of 5,801 MW.

## Cash Management & Trade Finance

Yapı Kredi provides its customers cash management (both local currency and foreign currency) and trade finance products through diverse channels and maintains a strong position in the sector. In this area, Yapı Kredi also leverages on UniCredit's product scheme in offering multinational solutions to its local customers.

Cash Management and Trade Finance services are offered via a sales team of 25, operating through 3 corporate and multinational branch offices.

Yapı Kredi offers a wide range of products and cash management services including countywide collection and payment services, cash transfer services, electronic banking and operational services. In addition, the Bank offers a variety of data integration and

reconciliation solutions related to these products. In 2014, Yapı Kredi further strengthened its market position in e-banking, with high turnover performance in direct debit and the BANKO bulk payment system.

The Bank also provides a variety of support services and payment management mechanisms to Turkish companies engaging in international trade transactions. In addition to traditional import and export products, the Bank offers its customers innovative and alternative foreign trade products and structured solutions. In 2014, Yapı Kredi created a specialised team responsible for expanding its structured trade finance business through export credit agencies and Eximbanks of other countries, as well as originating short term and long term financing through correspondent banks for the investment needs of the clients.

As of the end of 2014, Yapı Kredi served 229 thousand customers with cash management and trade finance products. The Bank also held leading positions in cheque clearing with 11% market share, import flows with 13.8% market share and exports flow with 15.3% market share.

#### **International and Multinational Banking (IMB)**

Yapı Kredi maintains its position as the ideal commercial banking partner and entry point for international companies in Turkey, leveraging on UniCredit's expertise and extensive network in Europe and Central Eastern Europe. As of the end of 2014, the number of international and multinational companies working with Yapı Kredi exceeded 1,000.

In 2014, to further enhance customer experience, Yapı Kredi restructured its IMB unit under three different teams:

- **International Banking Branch:** Dedicated and fully operational branch providing exclusive services to international and multinational companies through expert relationship managers fluent in foreign languages
- **Sales and Credit Support:** The team supports, monitors and coordinates relationships with international and multinational customers to increase penetration, improve sales effectiveness and support structured finance type deals. The team also ensures dual coverage for multinational clients of Yapı Kredi's international subsidiaries in Azerbaijan, The Netherlands and Russia
- **Cross Border Banking Activities:** Acting as a single point of entry for inbound and outbound customer demands, the team handles coordination and communication with UniCredit, correspondent banks, consultants and potential customers, contributing to new customer acquisition for both Yapı Kredi and UniCredit. In addition, the team extends its support and coordination activities to foreign investors operating in Turkey, Azerbaijan, the Netherlands and Russia, and facilitates account openings. The team also supports business development by providing general advisory services for both local and foreign investors

#### **Corporate Finance Advisory**

In line with new regulations, in July 2014, the Corporate Finance Advisory team was moved from Yapı Kredi Yatırım into Yapı Kredi as part of Corporate and Commercial Banking. Leveraging on the extensive experience and powerful network of Yapı Kredi and UniCredit, with a strong focus merger & acquisition advisory services, the team offers various corporate financing solutions to customers from every sector, including energy and infrastructure, consumer goods and retail, financial institutions, telecom-media-technology.

Yapı Kredi has closed landmark transactions such as sale of 3 hydroelectric power plants from Enerjisa, IPO of Emlak Konut (US\$ 715 million), sale of Yapı Kredi Sigorta to Allianz, sale of a minority stake in Orka Group to Investcorp, acquisition of Gebze natural gas power plant of Unit Group by Ansaldo Energia and acquisition of Dentas Ambalaj by Prinzhorn.

#### **Financial Advisory**

Part of the Central Europe Division of UniCredit as well as Products Group of Yapı Kredi, the Financial Advisory team provides a full set of financial services such as financial advisory, debt products and restructuring to its clients looking to finance large scale projects. In terms of financial advisory services, Yapı Kredi mainly focuses on infrastructure (airport, port, bridge, tunnel and highway) projects in addition to other industry sectors that fall within UniCredit's field of expertise, such as power, oil & gas and mining.

Thanks to its extensive local expertise, Yapı Kredi is the sector leader in project financial advisory. Yapı Kredi has acted as coordinating bank in the Mersin PPP project, the first public-private partnership developed for healthcare projects. The Bank has also been appointed as financial adviser for 4 PPP Hospital Projects, namely Etlik, Bilkent, İzmir and Kocaeli, all scheduled for completion in 2015.

#### **Future Outlook**

- Increase customer and employee satisfaction
- Diversify and enrich the customer base
- Increase product variety with stronger focus on inter-segment cross-sell
- Maintain accelerated lending growth with the aim to increase market share

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## Yapı Kredi Leasing

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### Profile

|                       |       |
|-----------------------|-------|
| Customers             | 5,483 |
| Branches              | 12    |
| Relationship Managers | 138   |

### Positioning

|                            | Market Shares | Ranking |
|----------------------------|---------------|---------|
| Leasing Transaction Volume | 18.3%         | 1       |

### Sustained leadership for 6 years

Established in 1987, Yapı Kredi Leasing is 99.99% owned by Yapı Kredi. The company has 18.3% market share in leasing transaction volume and has been the sector leader for the past 6 years. Yapı Kredi Leasing provides high quality products and services through 138 employees and 12 branches with strong focus on production machinery and construction equipment. Yapı Kredi Leasing continuously develops new products for niche sectors such as yachting, renewable energy and project finance, also leveraging on unique partnership agreements to deliver creative solutions.

In 2014, Yapı Kredi Leasing's new transaction volume increased by 35% to over TL 3 billion. In addition to benefitting from Sale-and-Leaseback, Yapı Kredi Leasing also further penetrated real sector investments via financing production machinery and construction equipment.

In 2015, Yapı Kredi Leasing aims to record sustainable growth and maintain its leadership position through increased penetration of leasing products, focus on customer relationships and new customer acquisition. For this purpose, Yapı Kredi Leasing will open 2 new branches in Anatolia.

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## Yapı Kredi Factoring

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### Profile

|                       |       |
|-----------------------|-------|
| Customers             | 2,988 |
| Branches              | 10    |
| Relationship Managers | 114   |

### Positioning

|                    | Market Shares | Ranking |
|--------------------|---------------|---------|
| Factoring Turnover | 16.9%         | 1       |

### Awards

|   | Institution                 |
|---|-----------------------------|
| Second Best Export Factoring Company in the World | Factors Chain International |

### Sustained leadership for 14 years

Established in 1999, Yapı Kredi Factoring is 99.95% owned by Yapı Kredi. As of the end of 2014, the company has 16.9% market share in factoring turnover and has been the sector leader for the past 14 years. Yapı Kredi Factoring offers a wide range of products and services through 114 employees including monitoring and collection of receivables. The company realised a total transaction volume of US\$ 19.6 billion in 2014, of which 85% is derived from domestic transactions and 15% from international transactions.

During the year, the Yapı Kredi Factoring focused on new customer acquisition and increasing product usage. In addition, Yapı Kredi Factoring further strengthened its regional sales activities by opening 10 new branches and leveraging on Yapı Kredi's wide service network across the country.

In 2015, Yapı Kredi Factoring will focus on increasing number of SME customers with the main objective of maintaining its leadership position in the factoring sector.

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## Yapı Kredi Bank Nederland

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### Profile

|                       |                  |
|-----------------------|------------------|
| Asset Size            | US\$ 2.0 billion |
| Customers             | 15 thousand      |
| Branches              | 1                |
| Relationship Managers | 46               |

### Continuous investment in customer satisfaction

Yapı Kredi Bank Nederland offers a wide range of products and services in retail, corporate and private banking. The bank's main objective is to support Yapı Kredi's customers based abroad. The bank whose shares are fully owned by Yapı Kredi, serves its customers through its head office in Amsterdam with 46 employees.

In 2014, the bank continued to perform favourably despite regulatory pressure and slowdown in economic activity. In terms of retail banking, Yapı Kredi Bank Nederland offers savings and deposit products to more than 15 thousand customers. In corporate

banking, the bank provides structured commodity finance and trade finance solutions leveraging on synergies with Yapı Kredi and UniCredit. Over the past few years, trade finance in Commonwealth of Independent States (CIS) and cooperation with European international commodities traders have also become an important part of the bank's business. In addition, the bank offers Islamic compliant products to its corporate customers.

In 2015, a new internet banking platform will go live to enhance customer experience. The bank will also focus on risk management, diversification of geographical markets and liquidity.

## Yapı Kredi Bank Moscow

### Profile

|                       |                  |
|-----------------------|------------------|
| Asset Size            | US\$ 210 million |
| Customers             | 2,167            |
| Relationship Managers | 63               |

### Sustained above sector lending growth

Established in 1988, Yapı Kredi Bank Moscow is 99.84% owned by Yapı Kredi and is the first Turkish bank to offer banking services in Russia. The bank supports Turkish companies active in Russia as well as some selected Russian companies, primarily operating in construction, industrial production, textile, trade and tourism. Thus, Yapı Kredi Moscow has played an important role in strengthening commercial ties between Turkey and Russia for more than 25 years.

In 2014, despite slowing economic growth and currency volatility, Yapı Kredi Bank Moscow maintained a successful performance with a strong focus on diversification of customer base, efficiency and asset quality. Accordingly, return on assets was realised at 4% and return on equity at 22%, one the highest levels among peers. In the first half of the year, the bank focused on loan growth and in the second half of the year, focus shifted towards liquidity management and deposit collection. Based on this successful strategy, Yapı Kredi Bank Moscow has the lowest loans to deposit ratio at 137%, compared to peer average of 271% as of the end of 2014.

In 2015, Yapı Kredi Bank Moscow aims to continue to grow in a selective manner through corporate and commercial banking activities while maintaining its resilient asset quality.

## Yapı Kredi Bank Azerbaijan

### Profile

|                       |                  |
|-----------------------|------------------|
| Asset Size            | US\$ 453 million |
| Customers             | 190 thousand     |
| Branches              | 16               |
| Relationship Managers | 463              |

### Positioning

|                                | Market Shares | Ranking |
|--------------------------------|---------------|---------|
| Credit Card Outstanding Volume | 12.3%         | -       |
| Credit Card Acquiring          | 9.5%          | -       |

### Awards

|  |
|--|
| Most Innovative Corporate Bank in Azerbaijan |
| Best New Bank in Azerbaijan                  |

### Institution

|                                   |
|-----------------------------------|
| Global Banking and Finance Review |
| Global Banking and Finance Review |

### “Best New Retail Bank” and “Most Innovative Corporate Bank” of Azerbaijan

Yapı Kredi Bank Azerbaijan was established in 1998 and is 99.80% owned by Yapı Kredi. The bank provides a wide range of products and services in retail and corporate banking through 463 employees and 16 branches located in Baku, Ganga and Sumgait. In 2014, number of customers increased by 46% annually to 190 thousand. As of the end of 2014, the bank maintained its leading position in the sector supported by its card payment systems launched in 2012. In 2014, number of credit cards increased by 63% to 99 thousand.

Yapı Kredi Bank Azerbaijan puts great emphasis on increasing its presence in the sector by diversifying and strengthening its network and improving its product base. Accordingly, in 2014, Yapı Kredi Bank Azerbaijan began to offer full-fledged alternative delivery channels including a 24/7 call center, 27 ATMs, internet banking, mobile banking and 2,994 payment points. Yapı Kredi Bank Azerbaijan also improved its IT infrastructure through an MIS/Data-warehouse project, which simplified business processes and helped facilitate strategic and operational activities.

In 2015, the bank aims to further improve its service model, technological base and internal processes with continued focus on increasing its customer base.

# Private Banking and Wealth Management

## Profile

|                       |             |
|-----------------------|-------------|
| Customers             | 23 thousand |
| Branches              | 22          |
| Relationship Managers | 172         |

## Positioning

|                                   | Market Shares | Ranking |
|-----------------------------------|---------------|---------|
| Mutual Funds                      | 18.0%         | 2       |
| Borsa Istanbul Transaction Volume | 12.0%         | 1       |
| Equity Transaction Volume         | 7.4%          | 2       |
| Derivatives Market (VIOP)         | 5.0%          | 5       |

## Awards

Best Private Bank in Turkey  
Best Philanthropy Service  
Private Banking Innovation

## Institution

World Finance  
Private Asset Management Magazine  
Private Asset Management Magazine

## Products and Services

Mutual Funds, Yapı Kredi Bills and Bonds, Private Sector Bills, Indexed Time Deposits, Fund Deposits, Managed Fund Accounts Equity, TradeBOX, FXBOX, Warrants, TurkDEX Transactions, Derivatives Market (VIOP) Transactions, Structured Products, Derivatives, Smart Fund Basket

## Leadership maintained

Yapı Kredi Private Banking maintained its leadership in private banking and wealth management in 2014 with TL 33.6 billion customer assets, 22 private banking centers and 23 thousand customers.

Throughout the year, Yapı Kredi focused on customer acquisition and activation. Accordingly, number of customers acquired increased by 39% annually to 2,414 and number of customers activated increased by 25% to 1,745 supported by cross-sell activities and new products. The Bank also started a new "Referral System" in 2014 which improved customer acquisition in terms of number and asset size.

In 2014, private banking deposits increased by 19% annually to TL 22.5 billion. Mutual fund volume, on the other hand, increased by 15% annually to TL 6.4 billion.

## Various investment alternatives

In 2014, 5 new mutual funds were launched including 1 Discretionary Portfolio Management Fund, 2 B Type Funds and 2 Capital Guaranteed Funds. Yapı Kredi also added a new Lease Certificate Fund to its product portfolio. To meet increasing customer demands, Yapı Kredi issued 14 bonds in 2014 with different maturity options and interest rates. Furthermore, 12 new private sector bonds were also offered to investors as another fixed income alternative product.

## Increased customer satisfaction

Yapı Kredi always places customers at the heart of its activities. To further enhance customer experience in 2014, the Bank continued to organize exclusive events for its Private Banking customers with the participation of expert speakers. More than 2,000 customers participated in these seminars ranging from economy to art to special organisations. The "Zeki Müren" exhibition in Istanbul was one of these special events and was visited by more than 60 thousand people over the course of three months.

As a result of Yapı Kredi's continued customer-centric approach, customer satisfaction in private banking reached the highest level of TRIM index globally in 2014. Increase in frequency of contact with customers and improvements in information process to customers about new products and services contributed significantly to this increase.

## Future Outlook

- Continue to focus on customer acquisition while increasing share of wallet
- Launch value added services with special focus on digitalisation and new platforms
- Undertake infrastructure developments to comply with the new communiques of Capital Markets Board



## Yapı Kredi Asset Management

### Profile

Relationship Managers

62

### Positioning

Mutual Funds

Market Shares

18.0%

Ranking

2

### Awards

Yapı Kredi Asset Management: Best Asset Manager

Yapı Kredi Asset Management: Best Asset Management Company

Yapı Kredi Asset Management: Best Asset Management Company

Yapı Kredi Asset Management: Best Asset Management Company

### Institution

EMEA Finance Magazine

World Finance

International Finance Magazine

Global Banking and Finance Review

### Turkey's leading asset management company

Established in 2002, Yapı Kredi Asset Management is one of the leading asset managers in Turkey. The company has 62 employees and serves customers of different asset classes with personalised research, analysis and solid risk management infrastructure.

In 2014, the company fully managed 39 mutual funds and 19 pension funds, thereby maintaining its 2<sup>nd</sup> ranking in mutual funds with 18.0% market share. During the same period, total assets volume reached an all-time high of TL 12.5 billion. Increased risk perception in the beginning of 2014 changed into a more positive environment towards the end of the year as a result of local and global developments. In this environment, Yapı Kredi Asset Management recorded sustainable growth by launching 2 new capital guaranteed funds; Platinum Fund and Sukuk Fund.

Fitch Ratings affirmed the asset manager rating of the company in 2014 at "Highest Standards (tur)". Yapı Kredi Asset Management is the first and only asset management company to hold this rating in Turkey, as well as being one out of only 17 companies worldwide. In addition, Fitch Ratings affirmed fund quality rating of 4 mutual funds and 3 pension funds managed by the company, which are the first funds in Turkey to be rated by an international rating agency.

Yapı Kredi Asset Management will keep creating appropriate solutions in accordance with the risk profile and the yield expectations of its customers in 2015. Accordingly, the company aims to further strengthen its pioneering position in the sector.

## Yapı Kredi Invest

### Profile

Customers

140 thousand

Relationship Managers

191

### Positioning

Borsa Istanbul Transaction Volume

Market Shares

12.0%

Ranking

1

Equality Transaction Volume

7.4%

2

### Awards

Best Derivatives House

Best Equity House

Most Innovative Brokerage House

Most Innovative Equity House

### Institution

Global Banking and Finance Review

Global Banking and Finance Review

Global Banking and Finance Review

Global Banking and Finance Review

### Market experience and leadership for over 20 years

Yapı Kredi Invest is one of the leading investment houses in Turkey with more than 20 years of experience in capital markets. As a 99.98% owned subsidiary of Yapı Kredi, the company effectively utilizes the Bank's wide branch network in reaching over 140 thousand retail and institutional clients. Aiming to be a one-stop shop in providing solutions for its customers, Yapı Kredi Invest handles a wide range of transactions ranging from domestic and international equities to sophisticated derivative products and advisory services with its 191 experienced employees.

Yapı Kredi Invest gives special attention to alternative delivery channels offering simple and swift solutions tailored to meet customer needs. Meanwhile, remaining close to customers to better satisfy their needs and support their decision making process with in-depth research remains a fundamental element of the company culture.

Yapı Kredi Invest consistently ranks amongst the top tier investment institutions in business volume and profitability. Despite challenging market conditions in 2014, the company maintained its leadership position in terms of net income generation, as has been the case since 2008.

In 2015, Yapı Kredi Invest will continue to offer its customers unique and high quality products tailored to meet their needs in changing market conditions with sustainable growth and development.

## **Supporting customers and the Bank in changing market conditions**

Yapı Kredi has an active position in capital markets and provides customers with a wide range of products and financial advisory services. 2014 was characterised by a worsening outlook for Emerging Markets due to FED's tapering announcements, geopolitical developments and the sharp decline in oil prices. Local and presidential elections in Turkey were other sources of volatility.

Throughout the year, Yapı Kredi was able to navigate through this challenging environment, continue with its growth strategy and effectively manage its liquidity and funding base thanks to its strong expertise in interest rate and currency risk management. The Bank also continued to support the funding needs of the real sector with advantageous pricing and maturity profiles.

Yapı Kredi has a customer-oriented approach with limited investment in securities. In 2014, share of securities in total assets decreased to 13% from 14% in 2013. During the year, Yapı Kredi sold Eurobond securities and TL securities from its available for sale portfolio in order to benefit from favourable market conditions and manage its capital position effectively. As of the end of 2014, 22% of Yapı Kredi's total securities portfolio is classified under held to maturity and 73% under available for sale. In terms of repo funding, the Bank continued its strategy of utilising this type of funding as a short-term liquidity management tool. As of the end of 2014, share of repo funding in total liabilities was realised at 3%.

In 2014, the Bank executed US\$ 488 billion worth of foreign exchange transactions against the Turkish Lira, of which US\$ 190 billion was generated from domestic customers. As a result, the Bank's market share in customer foreign exchange transactions against Turkish Lira was recorded as 14.6%. Market share in customer derivative product transactions against Turkish Lira in 2014 was realised as 13%. Furthermore, Yapı Kredi remained the preferred choice for customers in Turkish Lira and foreign currency bonds under custody, recording an average transaction volume of TL 10 billion.

## **Correspondent Banking**

2014 proved to be another successful year for Yapı Kredi in corresponding banking. During the year, customers were provided trade finance services through a network of 2,500 international banks. Yapı Kredi's ever-growing and long-standing correspondent relationships stem from its high-quality service with competitive product range, transparent communication and dedicated correspondent banking team. Successful correspondent banking activity throughout the year was reflected in sector high syndication transactions as well as increasing market share in trade finance.

In line with changing trends in international trade activities as well as the changing preferences of Turkish customers, Yapı Kredi achieved its 2014 goal of expanding overseas activities with special emphasis on amplifying its business network in Asia and sub-Saharan Africa.

Throughout the year, Yapı Kredi was also able to substantially increase financing volume generated from its international trade business in addition to providing oil/commodity letters of credits and letters of guarantees in favour of Turkish contractors bidding for projects in Continental Africa and the Gulf Cooperation Council (GCC) Region. At the same time, the Bank enhanced its already existing and sustainable business relationship with major banks in the United States and Europe, mainly in trade finance and cash management.

## **International Debt Markets**

In 2014 Yapı Kredi maintained its strategy to diversify its funding base and lengthen its maturity profile. In this respect, recurring access to international markets played a crucial role during the year:

- Issuance of a US\$ 500 million Eurobond with 5 years maturity and 5.125% coupon rate in October 2014. To meet further demand coming from investors, the Bank re-tapped the issue with the amount of US\$50 million
- Financing of US\$ 550 million under the framework of its Diversified Payment Rights securitization program in October 2014. The 20 year transaction is the longest tenor that the Bank has achieved in international markets
- Over 100% rollover of US\$ 2.7 billion syndications in April and September 2014 with proceeds used to finance customers' pre-export and export credit facilities
- Increase in Global Medium Term Note (GTMN) program's limit to US\$ 5 billion in June 2014. Total funding received through this program exceeded US\$ 1.8 billion as of the end of 2014
- Obtainment of US\$ 50 million from CEB in September 2014 with a special purpose to finance private sector micro, small and medium sized enterprises in Turkey

## **Future Outlook**

- Maintain a disciplined approach and implement system improvements to sustain a solid liquidity and funding position
- Continue to support the funding needs of the real sector with advantageous pricing and maturity profiles
- Obtain funding from foreign institutions and international capital markets at favourable rates and conditions
- Support the Bank in its growth strategy through effective asset-liability management
- Maintain the Bank's leading position in international correspondent activities and further expand its correspondent network

# Alternative Delivery Channels

## Profile

|                                 |             |
|---------------------------------|-------------|
| ATMs                            | 3,606       |
| Internet Banking Users          | 4.2 million |
| Mobile Banking Users            | 1.2 million |
| Call Center Contacts (annually) | 51 million  |

## Positioning

|                  | Market Shares | Ranking |
|------------------|---------------|---------|
| ATMs             | 7.9%          | 5       |
| Mobile Banking   | 11.6%         | -       |
| Internet Banking | 13.1%         | -       |

## Awards

Best Mobile Banking in Europe  
 Outstanding Achievement Award in Website Design  
 Google Case Study  
 Excellence in Financial Services Category  
 Distinction in Banking/Bill Payment Category  
 Distinction in Corporate Identity Category

## Institution

Global Finance  
 Interactive Media Awards  
 Google  
 The Communicator Awards  
 The Communicator Awards  
 The Communicator Awards

## Benchmark in digital banking

Alternative delivery channels (ADCs) are an indispensable part of Yapı Kredi's customer-oriented business strategy. With an aim to enhance customer satisfaction, decrease operational workload in branches and lower cost to serve, the Bank continuously invests in its ADCs, especially due to the high level of technology usage and young population of the country.

Through sustained focus on ADCs, Yapı Kredi has increased the share of non-branch channels in total banking transactions to 83% in 2014 from 56% in 2007.

## Website

In 2014, Yapı Kredi further enhanced its website via new generation technologies to provide better service to its customers. Accordingly, visits to the website increased by 22% annually in 2014. During the year, Yapı Kredi also launched its mobile website designed with mobile accessibility in mind. Enhancements to the website include:

- A password center allowing membership/password generation
- Tracking system which enables customers to follow up on their complaints/feedbacks/suggestions
- An improved search engine enabling smarter search results
- New features such as currency and stock price displays and currency calculator

## Internet Banking

Internet banking is one of the most important channels for Yapı Kredi in providing a simple, fast and seamless banking experience to customers. In 2014, number of individual and corporate internet banking customers increased by 32% and 16%, respectively. As a result, overall internet banking market share increased by 160 basis points in 2014 to 13.1%. Total number of transactions performed via internet banking, on the other hand, increased by 18% annually. During the same period, retail and SME penetration increased by 70 basis points.

In 2014, to increase efficiency and customer satisfaction, Yapı Kredi:

- Renewed its internet banking with a simple design, better usability and high performance
- Simplified the enrollment process
- Added new functions such as swift and cash advance with instalments

Smart Assistant, an alarm and reminder service that notifies customers instantly via SMS, e-mail or push notification for their banking transactions remained popular in 2014 and was used by over 3.5 million customers.

As a result of Yapı Kredi's continuous focus on enhancements, the Bank's internet banking TRIM index increased to 80 points, indicating strong focus on customer satisfaction. The Bank's TRIM index in this area is 11% higher than the global average.

## Mobile Banking

Following launch of an advanced mobile banking application in 2011, Yapı Kredi became the first bank in Turkey to provide mobile banking services for all types of mobile phones. In 2014, the number of mobile banking customers increased by 120% leading to 70 basis points increase in market share to 11.6%.

In 2014, to increase efficiency and customer satisfaction, Yapı Kredi:

- Added new functions such as bill payment via barcode, order payments and debit card application
- Added a "We Are Here For You" section, allowing easy connection between the customer and the Bank
- Launched a corporate mobile banking application

### **Branchless Banking**

In 2014, Yapı Kredi launched its new branchless direct banking service model, NUVO, which allows customers to open accounts and complete all their financial transaction via mobile and internet banking. Features of the new service include:

- Competitive interest rates as well as free account transactions and money transfers
- Perks and advantages through Yapı Kredi's World Gold or Play Card loyalty programmes
- Exclusive shopping benefits, including discounts and reduced delivery costs

### **ATM Network and Self Service Banking**

Yapı Kredi has the 5<sup>th</sup> largest ATM network in Turkey. In 2014, in an effort to increase cash access points for customers and to lessen branch workload, Yapı Kredi achieved the highest ATM network growth among its peers. ATMs, the most frequently used among Yapı Kredi's non-branch channels, generate the highest transaction volume. Nearly 5 million users performed 141 million transactions in 2014 via ATMs, which corresponds to 46% of total number of banking transactions.

In 2014, in line with the Bank's growth strategy, Yapı Kredi deployed 606 new ATMs, bringing the total outstanding number of ATMs to 3,606. Accordingly, ATM market share in 2014 increased by 80 basis points to 7.9%. In 2014, Yapı Kredi also increased the share of Advanced ATMs (Tele24 Plus) to over 88% of its ATM network. In addition, as a part of the Bank's Enabled Banking Programme, 35% of the ATM network is composed of specifically designed ATMs for disabled customers as of the end of 2014.

In 2014, usage of Recycle ATMs was also accelerated. These ATMs enable cash deposited by customers to be reused for withdrawal by other customers in order to save time for branches and decrease cash related costs. In addition, to increase security and protect customers against ATM frauds, the Bank completed Card Protection Kits installations for all public ATMs.

Yapı Kredi always strives to improve accessibility to its services. Accordingly, self-service banking corners with telephone and internet banking units were expanded to 92% of branches.

### **Call Center**

Yapı Kredi Call Center provides award winning, 24/7 customer service through 1,177 employees, both in Turkish and English. Having established a third call center in Kağıthane Istanbul in 2014, the center handles over 51 million calls per year via phone, chat, e-mail and IVR.

In 2014, one of the major areas which the Bank focused, especially on the back of Bank's growth strategy, was call diversion from branches to the call center. Accordingly, all core banking calls for mass segments in 301 branches were routed to the call center in order to lighten the phone traffic in branches and create more time for sales.

The call center also acted as a strong sales channel during 2014 with 6 million total outbound calls and 3.1 million sales, 20% and 7% increase compared to 2013, respectively.

Additionally, Yapı Kredi started to monitor its digital and social media channels 24/7, achieving an average reply time of 2 hours for user feedback and providing first contact solutions for customers.

### **Future Outlook**

- Increase the number of mobile and internet banking customers
- Further expand the ATM network and self-service banking corners
- Include multicurrency and multilingual features in ATMs
- Increase IVR Self Service Usage for call center and add new developments to 444 0 444 line including voice recognition, voice verification and proactive SMS&IVR notifications
- Implement video channel implementation for digital banking users
- Further expend number of calls diverted from branches

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# Information Technologies and Operations

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In Information Technologies (IT) and Operations, Yapı Kredi focuses on process modernisation and infrastructure improvements to become more agile and provide customers with rapid and high quality services.

## Information Technologies

In 2014, on the IT side, the Bank continued to focus on digitalisation as well as projects aimed at efficiency improvements and product enhancements:

- New branchless direct banking service model NUVO was launched, individual internet banking application was renewed, corporate internet banking application renewal project was started
- Projects aiming to increase service quality, speed and efficiency in branches were initiated. Usability of branch applications and front-end technology was improved
- Pricing module linked with CRM application was improved for Corporate and Commercial Banking in order to offer specialized pricing to customers based on their overall relationships with the Bank
- New cross-sell functionalities for Retail Banking products were developed to increase market share
- Enhancements to treasury systems were completed to support higher number of transactions
- Corporate and Commercial Banking credit processes and systems were improved for more effective risk monitoring
- Number of internal tablet-based applications for mobile usage were increased to enhance the effectiveness of the network
- Investments in IT infrastructure to decrease costs while supporting sustainability continued
- Research and development related investments continued, particularly in the area of business intelligence, also with support from TUBITAK and EU ITEA

## Operations

In 2014, Yapı Kredi further strengthened its position as a customer service point in operations through focused initiatives and forward-looking approach:

- Capacity utilization was optimized for peak days and peak hours via increased pool of shared resources, part time staff utilization and shifted resource usage. Accordingly, operational service levels increased by 11 percentage points to 96% in 2014 from 85% in 2013 with diminishing operational errors, despite increase in transaction volume and number of customers, supporting the growth strategy of the Bank
- Efficiency improvements were achieved on teller line operations, leading to 20% improvement in lobby waiting time. At the same time, service model changes were implemented with a “teller-seller model”, aiming to increase customer touch under the umbrella of Retail Banking sales force
- Process and operating model simplifications were undertaken with better Straight Through Processes (STP) usage ratio, leading to improved service quality. As a result, nearly 2 hours of workload per branch was freed up, leading to more available time to support sales activities

## Future Outlook

- Continue to improve intelligent resource management and shared resource usage, minimizing new resource requirements
- Further improve smart technology usage in order to increase Straight Through Processing (STP) ratio and decrease transaction completion time
- Improve customer experience with less recycle time for key customer touched transactions
- Minimize the usage of paper at the branches via increased digitalization
- Enable the use of big data analytics to boost CRM, marketing and risk management capabilities
- Enhance cash and non-cash loans disbursement processes to support increase in market share
- Continue improvements in digital channels, research and development activities and business intelligence

# Human Resources

## Profile

|   |                       |
|---|-----------------------|
| Number of Group Employees                                     | 18,535 (Bank: 17,457) |
| Average age   | 34                    |
| Average working year  | 8 years               |
| Branch employee share   | 73%                   |
| Share of female employees                                     | 61%                   |
| Share of university graduates                                 | 87%                   |
| Share of employees fluent at least in one language            | 31%                   |
| Share of employees who benefit from Yapı Kredi's pension plan | 66%                   |

## Awards

|  |
|--|
| Most Admired Job Listing of the Year       |
| The Company with the Most Job Applications |
| Respect for People Award                   |
| Best-in-Class Corporate University         |
| Excellence in Talent Development           |

## Institution

|   |
|---|
| Kariyer.net                                 |
| Kariyer.net                                 |
| Kariyer.net                                 |
| International Quality & Productivity Center |
| International Quality & Productivity Center |

### Increasing investment for human resources as a pre-requisite for success

Yapı Kredi attaches strong importance to its employees. In this regard, the Bank has a dynamic and structured human resources policy in place to manage recruitment, adaptation, career planning as well as development and training.

2014 was a special year for Yapı Kredi in terms of human resources as the Bank put a great deal of importance into headcount increase, in line with its growth strategy. 70% of newly hired employees were placed in the network to support sales, which is the main force behind successful market share gains and sustained profitability.

Yapı Kredi's (including Bank and subsidiaries) net employee number increased by 11% in 2014 and reached 18,534. During the year, the Bank received 786 thousand applications, conducted over 13 thousand interviews and hired 3,800 new employees.

Yapı Kredi and BASİSEN (Banking and Insurance Workers Union) sign a collective bargaining agreement every two years, with the latest agreement covering the period from 1 April 2013 to 31 March 2015. 62% of all Yapı Kredi employees are union members.

### Career Development and Talent Management

Yapı Kredi provides attractive development opportunities for employees through cooperation with leading academic institutions and its shareholders. Employees with high performance and high potential are enrolled in dedicated programs in collaboration with UniCredit. For managerial positions, the Bank provides specially designed development programs together with Europe's leading business schools. The Bank also offers various development programs targeted at young talents.

As part of Yapı Kredi's career development activities in 2014, 3,436 employees were appointed and 5,563 employees were promoted to new positions.

### Training Programs and Yapı Kredi Banking Academy

Established in 2009, Yapı Kredi Banking Academy is one of the most comprehensive corporate universities in Turkey providing training to employees, their families, customers, university students and volunteers. In 2014, the number of employees who received training increased by 36% annually to 22 thousand.

The Academy is also present in the Bank's subsidiary in Azerbaijan and has trained nearly 4,000 participants in banking and finance, personal development, leadership and social responsibility since 2011. The Academy has established strong collaboration with local bodies such as the Central Bank of the Republic of Azerbaijan and the Azerbaijan Bank Training Center.

Yapı Kredi employees are provided specially designed certificate programs via cooperation with local and international universities as well as reputable institutions such as The Bankers Association of Turkey. Yapı Kredi also has partnership agreements with Koç University, Bilgi University, Özyeğin University and Bahçeşehir University to provide employees master programs with a special discount.

### Employer Branding

- **Heroes Club:** a dedicated 2-year young talent and development program launched in 2012 and designed for 3<sup>rd</sup> year university students. Through the program, students are included in training, projects, seminars and various corporate social responsibility initiatives. The students also receive internship and part-time work opportunities within the Bank. As part of the program, each student is assigned a human resources advisor in the first year and receives career mentorship from senior managers during the second year. At the end of the program, a job offer may be presented based on performance and the Bank's needs. In 2014, for the third term Heroes Club, 100 students were selected from 34 different universities in Turkey.
- **Career Website:** an exclusive website, located at [www.kariyerim.yapikredi.com.tr](http://www.kariyerim.yapikredi.com.tr) which lists all available positions at Yapı Kredi. Designed for various candidate profiles in mind, the website provides a range of informative content, videos and

images on Yapı Kredi and the banking sector, including information on professional and social life, presentations of recruiting departments, development opportunities and corporate values

- **Campus Activities:** a program where students are visited at their campuses for career days. The program involves company presentations, panels and Yapı Kredi's "Career Stage", a two person theatrical show where Yapı Kredi and the banking sector is presented in a fun and interactive format. In 2014, over 3,000 students were reached through visits in 15 universities in 11 different cities

#### **Employee Support Services and Benefits**

- **HR IT Self Service:** An online platform where all aspects of HR, such as recruitment, performance management, training and development, leaves, overtime can be reviewed and managed by the employees
- **aloİK:** An HR call center which provides phone support to all employees. Since its launch in mid-2014, the center received over 16 thousand calls
- **Help Line:** An exclusive 24/7 free help line created in 2010 to assist employees with both personal and professional inquiries, including financial, legal, medical and psychological help. In 2014, 4,667 inbound calls were received throughout the year, indicating a 16% increase compared to 2013
- **Safir Program:** A program designed for all employees which offers seminars, training videos, development sources, family support applications and other special events on successful balance between work and professional life

Additionally, Yapı Kredi offers various employee incentives, such as a health insurance program which can be used by all employees and their immediate families, life insurance, shuttle services, contribution to employee personal retirement funds and the Koç Ailem (My Family) Card that provides advantages in a variety of organizations.

#### **Future Outlook**

- Increase branding and develop new work methods In line with the vision of becoming a preferred employer, thus build a strong connection with the Y generation and make Yapı Kredi a more attractive employer
- Identify employees with a high potential for development and support them through special development programs
- Increase the use of alternative learning technologies and design a web based learning portal and mobile applications

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## Other Subsidiaries

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### **Yapı Kredi Koray Real Estate Investment Trust**

Established in 1996 and 30.45% owned by Yapı Kredi, Yapı Kredi Koray Real Estate Investment Trust operates in both residential and commercial real estate development. The company is publicly traded in Borsa İstanbul with a market capitalisation of TL 86 million as of the end of 2014.

### **Banque de Commerce et de Placements**

Established in 1963 and 31% owned by Yapı Kredi, Banque de Commerce et de Placements (BCP) is a Swiss bank headquartered in Geneva with 2 branches in Luxembourg and Dubai. BCP offers its clients the full service range of a universal Swiss bank. The bank focuses on structured commodity finance, trade finance and asset management as its core activities supported by treasury services and correspondent banking. As of the end of 2014, BCP had a Tier 1 capitalisation ratio of 17.8%. The Bank is rated as investment grade by Fitch Ratings.

### **Allianz Yaşam ve Emeklilik**

Allianz Yaşam ve Emeklilik operates in private pension and life insurance. The company serves individual and corporate customers with a wide range of tailored products. Allianz, one of the largest insurance companies and asset management groups in the world, became the main shareholder of Yapı Kredi Pension Fund on 12 July 2013 by purchasing 80% of its shares. On 27 September 2013, the name of the company was changed to Allianz Yaşam ve Emeklilik. Yapı Kredi remained a 20% shareholder in the company to support its long-term strategic partnership with Allianz. Yapı Kredi also has a 15 year exclusive bancassurance agreement with Allianz. Accordingly, customers continue to benefit from insurance and private pension products through Yapı Kredi's extensive branch network and innovative alternative delivery channels.

### **Yapı Kredi Cultural Activities, Arts and Publishing**

Established in 1984 and fully owned by Yapı Kredi, Yapı Kredi Cultural Activities, Arts and Publishing (YKKS) is one of the most reputable culture and arts companies in Turkey. YKKS presents important publications, cultural events and exhibitions to the community through the Yapı Kredi Cultural Center and Yapı Kredi Publications.

Yapı Kredi Cultural Center organized 9 exhibitions and 160 art events in 2014 with 70 thousand attendees. One of the most outstanding exhibitions in 2014 was the "Here I am, Zeki Müren" which brings to light artist's photos and private possessions in his archive which has been under the protection of the Turkish Educational Foundation and the TSK Mehmetçik Vakfı for 18 years. The exhibition was visited by over one thousand people daily at Galatasaray building of YKKS. During the same period, paintings and drawings by Zeki Müren were also exhibited in the Caddebostan Cultural Center.

Other important exhibitions organised by YKKS in 2014 were Handan Börüteçene's "I Remained Buried Within Myself" exhibition, held between 3-31 December 2014 at the Istanbul Archaeological Museums and "Hoca Ali Rıza Painting Exhibition" featured jointly by İzmir Arkas Art Center.

Yapı Kredi Publications (YKY) published 2.7 million books with 257 new titles and 581 reprints in 2014. Turkey's Nobel Literature Prize winner, author Orhan Pamuk's new novel "A Strangeness in My Mind" was one of the highlights of the year. During the year, around 235 school events and library presentations brought together over 42 thousand students, teachers and librarians with authors and editors of books published by YKY.

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## Research and Development Activities

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Yapı Kredi continued to invest in research and development activities in 2014 with an aim to understand and improve customer experience and service quality. In this regard, surveys were conducted to better understand customer expectations.

In 2014, more than 330 thousand customers were surveyed about their satisfaction regarding Yapı Kredi branches, channels and services. All retail branches were monitored and surveys were conducted by contacting customers the day after they finalised a transaction. Accordingly, branches were able to contact dissatisfied customers rapidly, resulting in significant improvement in customer feedback. As a result of these researches, Yapı Kredi won the "Best Branch Service" by the Turkish Researchers' Association given to the most creative research models in the sector.

Two key pillars of positive customer experience are internal service quality and employee satisfaction. In this regard, Yapı Kredi carries out yearly research to monitor these issues. In 2014, the Bank conducted "A Day in the Head Office" activities for branch employees and "A Day in a Branch" activities for Head Office employees to enhance collaboration and understanding of different roles within the Bank. Feedback from these visits were utilised to develop action plans and further improve employee and customer experience.

Yapı Kredi continuously focuses on innovation and enhancements. Customer response and satisfaction to changes is therefore crucial feedback. During 2014, the Bank undertook various research activities to understand employee and customer feedback



before and after implementation of new services, system and process changes. Regular image and reputation monitoring was also undertaken to track Yapı Kredi's brand perception.

Through Evreka, an idea development and innovation system introduced in 2012, employees submitted more than 12 thousand ideas in 2014. After initial screening, around 30% of the approved ideas were implemented or added to future plans. These ideas support the Bank in many diverse areas including cost optimisation, efficiency, improvement in customer/employee experience and social responsibility. "Evreka Idea Leaders Training Program" was launched to support the development of employees who submitted the best ideas.

In 2014, as a result of focus on innovation, Yapı Kredi ranked in the top 5 of the InovoLeague organized by Turkish Exporters' Association (TIM). The efforts in the field of innovation have also earned the Bank a place on TUSIAD Innovation and Technology Working group as well as Koç Holding Technology and Innovation Board.

Since 2013, Research and Development (R&D) activities conducted by Yapı Kredi have made a significant contribution to the Bank's innovation output. Various projects developed and ran within Yapı Kredi R&D and Special Projects are supported by national and international incentives programs. At the national level, 3 projects are supported by TÜBİTAK within the TEYDEB 1501 program and 2 projects by the Ministry of Science, Industry and Technology's San-Tez program. At the international level, 2 projects received support as part of the Eureka Program. 2 international and 4 national patent applications have been made as a result of these projects. 1 patent has been registered so far.

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## Corporate Social Responsibility

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Since its foundations in 1944, Yapı Kredi has always worked to carry out its responsibility in the community; from culture and arts to education, from environment to sports in addition to catering to the needs of disabled citizens. In this regards, Yapı Kredi specially selects projects which have long-lasting positive effects on society.

### Projects for Disabled Citizens

**Enabled Banking:** Initiated in 2008 as the first and most comprehensive Enabled Banking program in Turkey, the project aims to provide disabled customers with convenient access to banking services. The Bank also launched the first enabled banking website in Turkey, [www.engelsizbankacilik.com.tr](http://www.engelsizbankacilik.com.tr), making the finance sector more accessible for Turkey's disabled citizens. Under this program, "Home Agent" (Customer Representatives working from home) project was started in 2014, which provides disabled citizens the opportunity to join the work force, operating in the comfort of their own homes. 9 disabled individuals were employed via this project. In addition, "Speaking is in our Hands" project provided sign language training to around 300 branch employees with an aim to reach out to hearing-impaired customers by using sign language and giving them faster and more efficient service.

**I Know No Barriers for My Country:** Yapı Kredi continued to play an active role in this project, which started under the leadership of Koç Group. Accordingly, Yapı Kredi strives to make its products and services as well as its service points more accessible for disabled customers. At the same time, the Bank organises training programs for employees to increase awareness.

### Sustainability and Yapı Kredi

**Building Sustainability:** A Yapı Kredi Sustainability Committee was formed in an effort to adopt a more integrated approach to sustainable banking and corporate social responsibility.

**Sustainability Report:** In 2014, Yapı Kredi published its first Global Reporting Initiative (GRI) approved sustainability report.

**BIST Sustainability Index:** Due to the Bank's successful performance in environmental, social and corporate governance related issues, Borsa Istanbul, in association with the London-based Ethical Investment Research Service (EIRIS), selected Yapı Kredi as one of only 15 BIST-30 companies to be included in its newly formed BIST Sustainability Index.

### Culture and Art Projects

**Afife Theater Awards:** Held each year since 1997 with the continuous support of Yapı Kredi and under mentorship of well-known stage actor Haldun Dormen, Afife Theater Awards were organized for the 18<sup>th</sup> time in 2014.

**The Çatalhöyük Excavations:** Excavations in Çatalhöyük, cited as one of the oldest and most advanced Neolithic settlements, have been continuing under the main sponsorship of Yapı Kredi since 1997. A Çatalhöyük exhibit was organized by Yapı Kredi Culture, Arts and Publishing in Istanbul in September 2014.

### Education Projects

**I Read, I Play:** Conducted in cooperation with the Educational Volunteers of Turkey Foundation (TEGV), the "I Read, I Play" project aims to help children develop their reading skills, supported by the efforts of 40 learning units and 10 education parks. The project reached 120 thousand children since 2006, with the support of 3,500 volunteers.

**Colored Pens:** Launched in 2014 under the name of "Colored Pens Newspaper", it is the communication channel for the "I Read, I Play" project. Through this project, children were given the chance to participate in the "I Read, I Play" sessions at 10 education

parks and publish a newspaper under the guidance of some of the best journalists in Turkey. The activity was initiated in Istanbul, Samsun and Van in 2014 and will spread out to other cities of Turkey in 2015.

#### **Environmental Projects**

**Recycling Project:** Launched in 2008, Yapı Kredi has been implementing a recycling project to support the sustainability of natural resources. As part of the project, above 1 million kgs of paper, more than 6 thousand kgs of plastics, more than 500 kgs of glass and 290 kg of metals were collected for recycling in 2014. Accordingly, Yapı Kredi prevented 38 thousand tons of greenhouse gases from being released into the atmosphere, saved 18 thousand trees, around 27 million litres of water, 86,100 kW/h of energy and 27 tons of crude oil.

**Plastic Cap Campaign:** Yapı Kredi employees took part in the plastic cap collection campaign organized by the Spinal Cord Paralytics Association of Turkey and collected 750 kgs of plastic caps for the cause. The revenue from the recycling of the caps was donated to the Association and converted into wheelchairs.

**ISO 14064:** Yapı Kredi completed the certification process for ISO 14064 Greenhouse Gases Reporting, which began in 2011. The Bank has also been qualified to receive the certification for ISO 14064. The certification process for 2012 and 2013 was finalised in 2014.

#### **Relations with the Academic Community**

**Finance Chair:** To support scientific research in finance, Yapı Kredi continued to sponsor the Finance Chair founded at Koç University in collaboration with the University in 2014.

**Academic Scholarship:** Yapı Kredi continued to sponsor Koç University's Academic Scholarship Program, founded in 2011, raising the number of scholars supported in this program to 4 in 2014.

Part II

# **Bank Management and Corporate Governance Practices**

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# Board of Directors

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## Mustafa V. KOÇ

### Chairman of the Board of Directors

Mustafa V. Koç, after finishing Lyceum Alpinum Zuoz in Switzerland, graduated with a Business Administration degree from George Washington University. In 1984, he started his career at Tofaş as Consultant, before moving to Ram Dış Ticaret as Sales Manager and Assistant General Manager. In 1992, he moved to Koç Holding and served in the capacity of Vice President, President, Member of the Board of Directors and Vice Chairman. He was appointed as Chairman of Koç Holding Board of Directors in 2003. Koç is the Honorary Chairman of the Turkish Industry & Business Association's High Advisory Council and a member of the Rolls Royce International Advisory Board, the JP Morgan International Council and the Global Advisory Board of the Council on Foreign Affairs. He is also a Member of the Steering Committee of the Bilderberg Meetings. Koç was awarded the Cavaliere D'Industria medal by the Government of Italy in 2005 and the International Leonardo Prize in 2012. In addition to being a Member of the Board of Trustees of Educational Volunteers Foundation of Turkey, Koç is also a Member of the Board of his family's philanthropic foundation, the Vehbi Koç Foundation, which reflects the strong commitment of the Koç Family to contribute to the country's economic and social development; a commitment recognized internationally by, among others, the World Monuments Fund, the Carnegie Foundation and BNP Paribas. Since August 2011, Mustafa V. Koç has been serving as Chairman of the Board of Directors at Yapı Kredi and Koç Financial Services.

## Gianni F. G. PAPA<sup>(1)</sup>

### Vice-Chairman of the Board of Directors (Independent\*)

After receiving his degree in Law from Università Cattolica del Sacro Cuore in Italy, Gianni Franco Giacomo Papa served in numerous positions at the International division of Credito Italiano Milano starting from 1979. Papa, who served at the same bank as Manager between 1986 and 1987, worked at Hong Kong office of Credito Italiano as the Assistant General Manager in charge of the establishment of the branch of Credito Italiano and then Head of Corporate Finance, Capital Markets and Treasury from 1988 to 1993. Papa, who served at Segrate branch of Credito Italiano as the Deputy General Manager between 1993 and 1997 and the Assistant General Manager in charge of Corporate Investors and Private Banks Department under the Financial Division of the Group thereafter, was appointed as the Deputy General Manager of UniCredit's Singapore Branch in 1998 and served at the same office until 1999. Thereafter, he served as the General Manager of the same branch and the Director of UniCredit Asia (except China) until 2002. Papa held the offices of the General Manager of New York Branch of UniCredit and UniCredit's Director in charge of the USA operations between 2003 and 2005. He was then appointed as General Manager and COO of UniCredit Slovakia and served between 2005 and 2007. Papa, who worked as the Vice Chairman of the Board of Directors and the General Manager of UniCredit Slovakia until 2008, was appointed to serve as the First Deputy Chairman of the Board and the General Manager at PJSC Ukrobsbank between 2008 and 2010, and worked as the Executive Vice President and the Head of Central and Eastern European Corporate and Investment Banking at UniCredit Bank Austria AG between November 2010 and December 2010. From January 2011 until December 2014 he was Senior Executive Vice President of UniCredit in charge of Central and Eastern Europe Division and also Deputy Chairman of the Management Board of UniCredit Bank Austria AG. Since 1 January 2015, Papa has been appointed as Group Deputy General Manager and Head of Corporate & Investment Banking Division of UniCredit S.p.A. Papa was appointed as the Vice Chairman of the Board of Directors of Yapı Kredi as of April 2011. He also serves in the Board of Directors of some of UniCredit Group Companies and as Vice Chairman of the Board of Directors of Koç Financial Services.

## H. Faik AÇIKALIN

### Chief Executive Officer (CEO)

After earning a BS degree in Business Administration from Middle East Technical University, Faik Açıkalın began his banking career in 1987 as a Management Trainee at Interbank. He subsequently worked in various positions including Internal Auditor, Relationship Manager, Branch Manager and Marketing Manager at Interbank, Marmarabank, Kentbank, Finansbank and Demirbank. In May 1998, he joined Dışbank (which was later renamed Fortis following its acquisition by the eponymous international finance group) as Executive Vice President. Later that year, he was appointed Chief Operating Officer (COO) responsible for the coordination and communication between the Board of Directors and business units. He also assumed the position as a Member of the Credit Committee. In June 1999, Açıkalın was appointed as Deputy CEO and member of the Board of Directors. In December 2000, he became CEO of Dışbank. Following the acquisition of the majority shares of Dışbank by Fortis in July 2005, he continued to serve as CEO of the bank when it was renamed Fortisbank and was appointed member of the Fortis Global Management Committee and Fortis Global Retail Management Team. In October 2007, he resigned from his duties at Fortisbank and became CEO at Turkey's largest newsprint media holding company, Doğan Gazetecilik. In April 2009, Açıkalın was appointed as Executive Director of Yapı Kredi's Board of Directors and was also appointed as Chairman of the Executive Committee. Serving as Yapı Kredi's CEO since May 2009, in addition to his current role, in 2010 Açıkalın was also appointed as CEO of Koç Financial Services. Also as of August 2011, Açıkalın became the President of Koç Holding's Banking and Insurance Group. At the same time, Açıkalın serves as Chairman of Yapı Kredi Asset Management, Yapı Kredi Invest, Yapı Kredi Leasing, Yapı Kredi Factoring, Yapı Kredi Bank Nederland, Yapı Kredi Bank Azerbaijan, Yapı Kredi Bank Moscow, Yapı Kredi Koray Real Estate Investment Trust, Koç Consumer Finance, as Vice Chairman of Banque de Commerce et de Placements S.A. and Allianz Yaşam ve Emeklilik and as Director of the Banks Association of Turkey.

#### **Carlo VIVALDI<sup>(1)</sup>**

##### **Executive Director and Deputy CEO**

After graduating from the University of Ca' Foscari, Venice, Department of Business Administration, Carlo Vivaldi started his career in 1991 as Teller in Cassamarca, one of the four banks which merged into UniCredit in 1998. At that time he moved to Group's Planning and Control and then after a brief experience in contributing to the development of Group's internet strategy, in 2000 he moved under the newly established New Europe Division responsible for Planning and Control, contributing to the expansion of UniCredit in the region. At the end of 2002, he moved to Turkey and pursued the position of Chief Financial Officer and Executive Vice President at Koç Financial Services and Yapı Kredi in addition to memberships of the Board of Directors at some Group subsidiaries until September 2007. At that time he actively contributed to the largest merger in the Turkish banking history between Koçbank and the newly acquired Yapı Kredi. In October 2007, he was appointed as Member of the Management Board and Chief Financial Officer at UniCredit Bank Austria AG (covering Austria and the CEE countries of UniCredit) and started to serve in several other Supervisory Boards in CEE subsidiaries of UniCredit Group (UniCredit Bank Czech Republic A.S. and Unicredit Bank Slovakia as Chairman, Zagrebacka Banka D.D., UniCredit Tiriak Bank S.A., JSC ATF Bank Kazakhstan, and UGIS). Since May 2009, Carlo Vivaldi has been a Member of the Board of Directors at Yapı Kredi. As of January 2011, he has been appointed as UniCredit representative for Turkey in the position of Executive Director and Deputy CEO in Yapı Kredi. Vivaldi also serves as Executive Director and Deputy CEO of Koç Financial Services and Vice Chairman in all Yapı Kredi subsidiaries (Yapı Kredi Asset Management, Yapı Kredi Invest, Leasing, Yapı Kredi Factoring, Yapı Kredi Bank Nederland, Yapı Kredi Bank Azerbaijan, Yapı Kredi Bank Moscow and Yapı Kredi Cultural Activities, Arts and Publishing). He is also a Member of Board of Directors of Yapı Kredi Koray Real Estate Investment Trust and Allianz Yaşam ve Emeklilik.

#### **F. Füsün AKKAL BOZOK**

##### **Member of the Board of Directors (Independent\*)**

F. Füsün Akkal Bozok completed her academic studies with an MBA from Boğaziçi University in Faculty of Administrative Sciences and a Ph.D. from Istanbul University in Faculty of Administration. She began her career at Arthur Andersen Audit Company in 1980. Bozok joined Koç Group in 1983 as an Associate and Coordinator Assistant in the Audit and Financial Group Division. In 1992, she was appointed as the Audit and Financial Group Coordinator, a position which she held for 11 years. Between 2003 and 2006, she worked as the Finance Group Director. In September 2005, she became a Member of the Board of Directors of Yapı Kredi. In addition to being a Member of the Board of Directors of Koç Financial Services, Akkal is also an Assistant Professor at Sabancı University.

#### **Ahmet F. ASHABOĞLU**

##### **Member of the Board of Directors**

Ahmet F. Ashaboğlu graduated from Tufts University and earned a master's degree from Massachusetts Institute of Technology (MIT) in Mechanical Engineering. In 1994, he began his career as a Research Assistant at MIT, held various positions at UBS Warburg between 1996 and 1999 and worked as a Management Consultant at McKinsey & Company, New York, between 1999 and 2003. He joined Koç Holding as Finance Group Coordinator in 2003. He has been serving as the CFO at Koç Holding since 2006. Ashaboğlu has been a Member of the Board of Directors of Yapı Kredi since September 2005. Ashaboğlu is also a Member of Board of Directors of Koç Financial Services and Yapı Kredi Koray Real Estate Investment Trust and serves in the Board of Directors of some of Koç Group Companies.

#### **O. Turgay DURAK**

##### **Member of the Board of Directors**

He completed his undergraduate and graduate degrees at Northwestern University in Mechanical Engineering, joining Koç Group in 1976 at Ford Otomotiv as Design Engineer for product development. He was appointed as Assistant General Manager in 1986, became Deputy General Manager in 2000 and General Manager of Ford Otosan in 2002. He served as the President of Automotive Group at Koç Holding between 2007 and 2009. Durak was appointed Koç Holding's Deputy CEO in May 2009 and became CEO and Board Member in April 2010. He was the Chairman of the Board of Directors of Automotive Manufacturers' Association between 2004 and 2010. He served as a Council Member of Istanbul Chamber of Industry for 2.5 years and as a Board Member for 1 year. He has been a Member of National Committee of International Chamber of Commerce since February 2014. Since April 2009, he has been a Member of the Board of Directors of Yapı Kredi. Durak is also a Member of Board of Directors of Koç Financial Services and serves in the Board of Directors of some of Koç Group Companies.

#### **Francesco GIORDANO**

##### **Member of the Board of Directors (Independent\*)**

Giordano, who received his Bachelor's degree and Master's in Economics from University of Genova and Warwick (UK), served as a European Economist at Standard & Poor's and London Branch of San Paolo Bank until 1997, started to work as the Senior European Economist at Credit Suisse First Boston in 1997. Giordano was appointed as the Chief Economist/ Research Officer at UniCredit Banca Mobiliare in 2000. Subsequently Giordano served as the Head of Planning, Strategy and Research Department of the Group between 2005 and 2009 and was appointed to the office of the Head of Planning, Strategy and Research Department at Corporate and Investment Banking Division of UniCredit in 2009. He was appointed in 2011 as a Member of the Management Board and the CFO of UniCredit Bank Austria. Since April 2011, he has been a Member of the Board of Directors of Yapı Kredi. Giordano is also a member of Board of Directors of Koç Financial Services and serves in the Board of Directors of some of UniCredit Group Companies.

**Laura S. PENNA<sup>(1)</sup>**

**Member of the Board of Directors**

After graduating from Università Commerciale L. Bocconi (Milan) in 1989 with an Economics degree (final grade of 110/110), she started her career in the strategic consulting industry working for Accenture, where she remained for 9 years as Senior Engagement Manager for Financial Strategic Services. In 1999, Penna began to work at Rolo Banca (current Unicredit Banca) as the Head of Planning and Control. In 2001, she became the Head of Group Planning and Control at Group Level. In 2005, Penna served as Head of Financial Controlling of the integration between Unicredit and HVB, where she was in charge of managing integration's synergies, benefit and cost. In September 2006, she became the Head of Strategic Business Development in Leasing Area. In 2007, she founded "UniCredit Management Consultancy Unit", a highly specialized unit aiming at providing in-house high level strategic advisory and aiming to create a center of excellence for talent management. Penna has been an Executive Vice Presiden, Member of the Board of Directors and Member of Internal Control & Risks Committee of Unicredit Business Integrated Solutions since December 2011. Since March 2012, Laura Stefania Penna has been a Member of the Board of Directors of Yapı Kredi and Koç Financial Services. Since April 2012, she has been a Member of the Board of Directors of Fineco Bank and since June 2012 she has been a Member of the Supervisory Board and Member of the Audit Committee of Bank Pekao.

**Dr. Jürgen KULLNIGG**

**Member of the Board of Directors**

After graduating from University of Salzburg Law School, Dr Jürgen Kullnigg completed the International Trade Program at Vienna Business School. In 1985, Kullnigg started his career as a Marketing Assistant at the Austrian Trade Commission in Munich and later became Deputy Trade Commissioner at the Austrian Trade Commission in Houston between 1986 and 1989. Kullnigg served as Vice President at Girocredit AG Vienna, Los Angeles, New York and Prague from 1989 to 1995 and Vice President of Trade Finance at Creditanstalt AG from 1995 to 1997. In 1997, he began to work for Bank Austria Creditanstalt as Head of Structured Trade and Project Finance in London. Kullnigg moved on to become Head of Credit Department at Bank Austria AG in 2000. After one year, he was appointed as Head of Strategic Risk Management where he served until 2006. From 2006 to 2010, Kullnigg served as Head of Group Credit Operations as well as Group Divisional Risk Officer Corporate at UniCredit S.p.A in Milan. In 2010, he was appointed Head of Credit Operations Italy and CRO Italy at UniCredit S.p.A Milan until November of 2012 when he became Chief Risk Officer at UniCredit Bank Austria AG. Kullnigg has been a Member of the Board of Directors of Yapı Kredi and Koç Financial Services since April 2013 and serves in the Board of Directors of some of UniCredit Group Companies.

**Benedetta NAVARRA**

**Member of the Board of Directors (Independent)**

Benedetta Navarra graduated from Luiss Guido Carli University with honours in Economics in 1990 and received her Ph.D in Law in 1994 with honours from the La Sapienza University in Rome. Navarra taught banking and stock exchange law at Luiss Guido Carli University until 2010. In addition, she is a Member of the Doctorate Business Law Program Committee under the Business School. Navarra has several published books on banking law and financial law. Since 2003, Navarra has been a Senior Partner at Graziadei Law Firm. Navarra was appointed Member of the Board of Directors at AS Roma S.p.A in October 2011, Member of the Board of Directors at Statutory Auditors Equitalia S.p.A. in March 2012 and Member of the Board of Directors at Statutory Auditors Poste Italiane S.p.A. in July 2013. Navarra has been a Member of the Board of Directors of Yapı Kredi and Koç Financial Services since April 2013.

**Adil G. ÖZTOPRAK**

**Member of the Board of Directors (Independent)**

After graduating from Ankara University, Faculty of Political Science, Finance and Economics Department, Adil G. Öztoprak served at the Ministry of Finance as Auditor from 1966 to 1975. In 1975, Öztoprak was appointed Assistant General Manager of the Budget and Fiscal Control Department. Since 1976, he has been a Financial Coordinator and Chief Executive Officer at many companies. Between 1993 and 2000, Öztoprak was Partner at Başaran Nas Yeminli Mali Müşavirlik A.Ş. (PricewaterhouseCoopers). Öztoprak, a Certified Public Accountant, served as a Statutory Auditor since 2000 at Yapı Kredi, Yapı Kredi Insurance, Yapı Kredi Pension, Yapı Kredi Leasing, Yapı Kredi Factoring and Yapı Kredi Invest. Currently, Öztoprak serves as an Independent Member of the Board of Directors for Yapı Kredi Koray Real Estate Investment Trust and he has been a Member of the Board of Directors of Yapı Kredi and Koç Financial Services since April 2013. He is also a Member of the Board of Directors at Goodyear Lastikler T.A.Ş. since March 2014.

\* Gianni F.G. Papa, Chairman of the Audit Committee, and F. Füsün Akkal Bozok and Francesco Giordano, Members of the Audit Committee, are deemed as Independent Board Members as per Item 6(3)a of the Communiqué Serial II-17.1 of CMB on Corporate Governance

Note: The members of the Board of Directors have a one-year term of duty. The appointments of members are set out annually at the Annual Shareholders' Meeting

(1) Based on the decision of the Board of Directors dated 19 January 2015, Niccolò Ubertalli was appointed as Executive Director of Yapı Kredi (in place of Laura S. Penna, who has resigned as Director as of 16 February 2015). Gianni F.G. Papa, Vice Chairman, was relieved of this duty as of 16 February 2015 and continues as Director. Carlo Vivaldi, Executive Director, was relieved of this duty and continues as Vice Chairman. Since Carlo Vivaldi was appointed as Senior Executive Vice President of UniCredit in charge of Central and Eastern Europe Division as well as Deputy Chairman of the Management Board of UniCredit Bank Austria AG, he resigned from Deputy CEO of Yapı Kredi as of 16 February 2015. Instead, Niccolò Ubertalli was appointed as the Deputy CEO of Yapı Kredi

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# Senior Management

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**H. Faik AÇIKALIN**

**Chief Executive Officer (CEO)**

Please refer to page 35

**Carlo VIVALDI<sup>(1)</sup>**

**Executive Director and Deputy CEO**

Please refer to page 36

**Yakup DOĞAN**

**Assistant General Manager - Alternative Delivery Channels**

After graduating from the Faculty of Business Administration at Çukurova University, Yakup Doğan started his career at İşbank as an Assistant Specialist in 1992. Between 1996 and 2001, he worked at Ottoman Bank in Senior Management positions responsible for the development of Retail Banking, Credit Cards and Alternative Delivery Channels. In 2001, Doğan joined Koçbank as Alternative Delivery Channels Supervisor. Doğan has been Assistant General Manager in charge of Alternative Delivery Channels at Yapı Kredi since May 2009.

**Cahit ERDOĞAN**

**Assistant General Manager - Information Technologies and Operation**

After graduating from Istanbul Technical University Faculty of Mechanical Engineering, Cahit Erdoğan earned his MBA degree from Rochester Institute of Technology. Erdoğan started his professional career at Xerox Corporation (Rochester, NY) as a Business Analyst. In 2000, Erdoğan joined Accenture Turkey office as a Consultant and was later promoted to Manager and Senior Manager. In February 2008, he was appointed as Turkey Country Lead for the Management Consulting Growth Platform of Accenture. Erdoğan joined Yapı Kredi in 2009 as Head of Information Technologies (CIO). Erdoğan has been Assistant General Manager in charge of Information Technologies and Operation since July 2013. Erdoğan is also a Member of the Executive Committee since July 2013.

**Mehmet Murat ERMERT**

**Assistant General Manager - Corporate Communications**

Having graduated from Marmara University's Business Administration department, Murat Ermert began his career at Leo Burnett Advertising Agency in 1987. He later joined Yapı Kredi in 1989 as Advertising Unit Manager. From 1993 on, he worked for Doğan Media Group as Media Marketing Manager. In 1996, he assumed the role of Advertising and Public Relations Coordinator at Demirbank. Ermert joined to Dışbank (later Fortis) as Assistant General Manager, Corporate Communications. After the acquisition of Dışbank by Fortis he also served at the Fortis Global Marketing and Communications Management (Brussels). Being a Faculty Member at both Anadolu University and Bahçeşehir University in the recent years, he is one of the founding members of Turkish Association of Corporate Communications Directors and a member of European Association of Communications Directors (EACD). Ermert has been Assistant General Manager in charge of Corporate Communications at Yapı Kredi since July 2008.

**Nurgün EYÜBOĞLU**

**Assistant General Manager - Corporate and Commercial Credits**

After graduating in 1991 from Boğaziçi University Faculty of Administrative Sciences with a Degree in Economics, Nurgün Eyüboğlu began her career in İktisat Bankası as Management Trainee in the same year. She joined Koçbank in 1993 and worked as Branch Manager until 2004. With the merger of Yapı Kredi and Koçbank in 2006, Eyüboğlu held the position of Head of Corporate and Multinational Companies in Yapı Kredi until 2009. In February 2009, she was appointed as General Manager of Yapı Kredi Leasing. Eyüboğlu has been Assistant General Manager in charge of Corporate and Commercial Credits since February 2013. Eyüboğlu is also a Member of the Board of Directors of Yapı Kredi Faktoring and Yapı Kredi Leasing.

**Marco IANNACCONE**

**Assistant General Manager - Financial Planning and Administration (CFO)**

Marco Iannaccone graduated from Università degli Studi di Venezia Business Administration in 1993 and completed his MBA degree at Clemson University in 2003, where he was previously a graduate assistant in 1994. Between 1995 and 1997, he worked at KPMG as Consultant. In 1997, he started to work at Andersen Consulting as Senior Consultant and then in 1999 he was appointed to Deutsche Bank as Research and Strategic Planning Director. He continued his career at Deutsche Bank between 1999 and 2002 working in several departments, last of which was as the Head of Private & Business Banking. Moving to UniCredito Italiano in 2002, Iannaccone held a number of managerial positions in the Group, including Central and Eastern Europe Mergers and Acquisitions, Business Development, Private Banking, Strategy, Planning and Control until 2008. In 2008, Iannaccone assumed the position of Chief Financial Officer and Vice President of the Management Board at Bank Pekao in Poland. Iannaccone has been Assistant General Manager and CFO at Yapı Kredi since April 2013. He is also a Member of the Executive Committee.



### **Süleyman Cihangir KAVUNCU**

#### **Assistant General Manager - Human Resources and Organisation**

After receiving his MBA at University of Bridgeport, Süleyman Cihangir Kavuncu began his career at Arthur Andersen in 1983 as an Auditor. Between 1985 and 1989, he was the Foreign Funds Manager at the Treasury Division of Interbank. Kavuncu subsequently worked as the Financing Director and Human Resources Director at Coca-Cola, Administrative Affairs Coordinator at Çukurova Holding and Human Resources Director at Colgate Palmolive. In 2004, Kavuncu joined Koçbank as Assistant General Manager. Following his appointment in October 2006 as Assistant General Manager at Yapı Kredi, he has been Assistant General Manager in charge of Human Resources and Organisation at Yapı Kredi since May 2011. Kavuncu is also a Member of the Executive Committee since February 2009.

### **Mert ÖNCÜ**

#### **Assistant General Manager – Treasury and Financial Institutions**

After graduating from Istanbul Technical University, Electronics and Telecommunication Engineering Department in 1992, Mert Öncü completed his MBA degree at DePaul University in 1994 where he was also a graduate assistant between 1993-1994. Öncü earned his doctoral degree from Marmara University in 2001. After a brief experience as Intern at the Chicago Mercantile Exchange in 1994, Öncü joined Koçbank the same year and worked at the Treasury department respectively as Senior Dealer, Section Head and Treasury TL/ FX Manager. Between 2003 and 2006, he served as the Money and FX Markets Manager. In 2006, he became the Head of Money and FX Markets at Yapı Kredi. Öncü has been Assistant General Manager in charge of Treasury and Financial Institutions and a Member of the Executive Committee since May 2011.

### **Mehmet Erkan ÖZDEMİR**

#### **Assistant General Manager - Compliance and Internal Control**

After graduating from Middle East Technical University, Department of Economics in 1989, Mehmet Erkan Özdemir worked as a Sworn-in Bank Auditor on the Sworn-in Bank Audit Board of the Banking Regulation and Supervision Agency between April 1994 and August 2001. He joined Koç Holding in August 2001 as Audit Coordinator in the Koçbank Audit Group, responsible for the financial companies of the Group. He started serving as Statutory Auditor at Koçbank in August 2002 and later at Yapı Kredi in September 2005. Özdemir was assigned as Compliance Officer and Assistant General Manager in charge of the Compliance Office in April 2008. Özdemir has been serving as Assistant General Manager in charge of Compliance and Internal Control since October 2013.

### **Stefano PERAZZINI**

#### **Assistant General Manager - Internal Audit**

After graduating from the University of Turin in Economics, Stefano Perazzini began his career at San Paolo IMI Bank in 1987. Between 1989 and 1992, he worked at Honeywell Bull in the Planning and Control. Perazzini then became an Information Technology Auditor at Banca CRT Head Office followed by Internal Auditor at London and Paris branches of the bank. In September 1999, he was appointed as Internal Auditor at UniCredit and later became the Deputy Manager of the Internal Audit at Bank Pekao in Poland, a UniCredit Group company. In March 2003, he took on the responsibility of Assistant General Manager for Internal Audit at Koç Financial Services. Perazzini has been Assistant General Manager in charge of Internal Audit at Yapı Kredi since February 2006.

### **Cemal Aybars SANAL**

#### **Assistant General Manager – Legal Affairs**

After graduating from Istanbul University Faculty of Law, Cemal Aybars Sanal began his career in 1986 at Sanal&Sanal Law Firm as Partner. Between 1992 and 1995, he worked at Shell Company of Turkey Limited as an Attorney, between 1995 and 1998 at White&Case Law Firm as an Attorney, between 1998 and 1999 at Shell Company of Turkey Limited as Chief Legal Counsel and a Member of the Board of Directors, between 1999 and 2006 at Boyner Holding as Chief Legal Counsel and Vice President. After working as a freelance attorney between 2006 and 2007, Sanal worked at ELIG Law Firm as Senior Consultant from 2007 to 2008. Sanal has been Assistant General Manager in charge of Legal Affairs at Yapı Kredi since July 2008.

### **Wolfgang SCHILK**

#### **Assistant General Manager - Risk Management (CRO)**

In 1992, following his graduation from University of Wien Law School, Wolfgang Schilk completed a postgraduate internship program at Creditanstalt- Bankverein (CA-BV). Between 1994 and 1996, he was Restructuring Manager responsible for Corporate Banking at CA-BV. Between 1996 and 2004, Schilk worked as Head of the Credit Unit at Bank Austria Creditanstalt. Later in 2004, he became the Head of the Regional Office responsible for Corporate Banking. In 2006, he took a position as the Head of the Regional Office responsible for Private and SME Banking. Between 2007 and 2010, Schilk worked as the Head of Risk Management responsible for Private and SME Clients as well as Private Banking. During his career, he was also a Member of the Supervisory Board of Leasfinanz Bank (a subsidiary of UniCredit Leasing) and BAF (a subsidiary of Bank Austria for Mobile Sales Channel) as well as Member of the Advisory Council of IRG Immobilien Rating GMBH (a subsidiary of Bank Austria for Real Estate Appraisal). Schilk has been Assistant General Manager in charge of Risk Management and a Member of the Executive Committee at Yapı Kredi since September 2010. Schilk is also Member of Board of Directors of Yapı Kredi Leasing, Yapı Kredi Bank Nederland and Yapı Kredi Bank Moscow. He has also been a Member of the Board of Directors of Yapı Kredi Bank Azerbaijan, Yapı Kredi Moscow, Yapı Kredi Malta, Yapı Kredi Leasing and Yapı Kredi Asset Management since August 2011.



### **Zeynep Nazan SOMER ÖZELGİN**

#### **Assistant General Manager - Retail Banking**

After graduating from the Faculty of Business Administration at Boğaziçi University, Zeynep Nazan Somer Özelgin joined Arthur Andersen in 1988 as an Independent Auditor and obtained her Certified Public Accountant certificate. Between 1999 and 2000, she worked as Partner in charge of the finance sector. She joined Yapı Kredi in September 2000 as Assistant General Manager in charge of Individual Banking. Between 2003 and 2009, she served as Assistant General Manager in charge of Credit Cards and Consumer Lending. Somer Özelgin has been Assistant General Manager in charge of Retail Banking at Yapı Kredi and a Member of the Executive Committee since February 2009. In addition, she has been a Member of the Board of Directors of Yapı Kredi Bank Azerbaijan since September 2012. Furthermore, Somer Özelgin has been a Board Director of Visa Europe since May 2003.

### **Feza TAN**

#### **Assistant General Manager - Corporate and Commercial Banking**

After graduating from the Department of Economics at Boğaziçi University in 1993, Feza Tan began her professional career at Yapı Kredi as a Management Trainee in Corporate and Commercial Credits and served in various positions in the same department between 1993 and 2006. In 2006, she was promoted as Head of Corporate and Commercial Credits Underwriting. In February 2009, Tan became Assistant General Manager in charge of Corporate and Commercial Credits. Tan has been Assistant General Manager in charge of Corporate and Commercial Banking since February 2013 and a Member of the Executive Committee since January 2013. Tan is also a Member of the Board of Directors of Yapı Kredi Factoring, Yapı Kredi Leasing, Yapı Kredi Invest, Yapı Kredi Bank Moscow, Yapı Kredi Bank Azerbaijan and Yapı Kredi Bank Malta.

### **Mehmet Gökmen UÇAR**

#### **Assistant General Manager - Retail Credits**

Mehmet Gökmen Uçar graduated from Boğaziçi University, Faculty of Economics and Administrative Sciences, Economics Department in 1998. Between 1998 and 2002, he worked in Başaran Nas Bağımsız Denetim ve S.M.M.M. A.Ş. (PwC) as an Independent Auditor and obtained the Certified Public Accountant qualification. He joined Koçbank in 2002 and worked at Budget Control and Planning as Budget Planning and MIS Supervisor until 2005. Between 2005 and 2007, he took several management responsibilities over strategy, budgeting and planning areas under UniCredit Group in Italy, Germany and Austria. He returned to Yapı Kredi in 2008 and worked as Capital Management, Cost Control and Allocation Supervisor, Head of Financial Reporting and Vice President in charge of Financial Reporting and Accounting, respectively. In 2011, he was appointed as Financial Reporting and Accounting Executive Vice President. He has been Assistant General Manager responsible for Retail Credits since August 2012. Since September 2012, Uçar has also been a Member of the Board of Directors at KKB.

### **Mert YAZICIOĞLU**

#### **Assistant General Manager - Private Banking and Wealth Management**

After receiving his MA from Istanbul Technical University, Department of Business Administration, Mert Yazıcıoğlu began his career at S. Bolton and Sons in 1987 as an International Relations Officer. In 1989, Yazıcıoğlu joined Koçbank first as a Customer Relations Officer, then became a Junior Dealer in November 1990, Dealer in 1991, Senior Dealer in 1992, Section Head in 1994, Unit Head of Treasury in 1996 and Assistant General Manager in charge of Treasury in 1999. Between February 2006 and May 2011, he served as Assistant General Manager responsible for Treasury at Yapı Kredi. He has been Assistant General Manager in charge of Private Banking and Wealth Management since May 2011 and a Member of the Executive Committee since February 2011.

(1) As of 16 February 2015, since Carlo Vivaldi was appointed as Senior Executive Vice President of UniCredit in charge of Central and Eastern Europe Division as well as the Deputy Chairman of the Management Board of UniCredit Bank Austria AG, he resigned as Deputy CEO of Yapı Kredi and was replaced in this position by Niccolò Ubertalli, based on the decision of the Board of Directors dated 19 January 2015

# Board of Directors and Committees

## Board of Directors

The Board of Directors convenes upon the request of the Chairman when necessitated by the Bank's business. The Board of Directors reviews and decides on the corporate agenda as authorised by the Articles of Association of the Bank, laws and regulations. In 2014, the Board of Directors convened 11 times with the required majority and quorum satisfied.

## Executive Committee

The Executive Committee is the decision making body of the Group, established to collectively decide upon priority topics, facilitate information sharing among senior management and support strong team spirit. The Committee holds regular biweekly meetings or according to the needs of the bank (at least once a month). All decisions are taken unanimously by the principal members. In 2014, the Executive Committee convened 27 times with the required majority and the quorum satisfied. The Committee's responsibilities include:

- defining Group strategies and the Bank's structural risk management
- managing asset-liability guidelines including pricing and interest rates
- existing product evaluation and new product approval
- assessing credit, operational, market and liquidity risk
- ensuring coherence of the Bank's commercial policies and principles with budget objectives
- further improving customer satisfaction marketing activities
- internal and external communication plans
- approval of the Bank's annual project plan and major organisational changes
- optimisation of market risk profile strategies within the guidelines set by the Board of Directors

### Executive Committee Members

|               |                            |   |
|---------------|----------------------------|---|
| Chairman      | H. Faik Açıkalın           | Executive Director and Chief Executive Officer (CEO)                    |
| Vice Chairman | Carlo Vivaldi <sup>1</sup> | Executive Director and Deputy CEO                                       |
| Member        | Wolfgang Schilk            | Assistant General Manager - Risk Management (CRO)                       |
| Member        | Marco Iannaccone           | Assistant General Manager - Financial Planning and Administration (CFO) |
| Member        | Feza Tan                   | Assistant General Manager - Corporate and Commercial Banking            |
| Member        | Z. Nazan Somer Özelgin     | Assistant General Manager - Retail Banking                              |
| Member        | Mert Yazıcıoğlu            | Assistant General Manager - Private Banking and Wealth Management       |
| Member        | S. Cihangir Kavuncu        | Assistant General Manager - Human Resources and Organization            |
| Member        | A. Cahit Erdoğan           | Assistant General Manager - Information Technologies and Operations     |
| Member        | Mert Öncü                  | Assistant General Manager - Treasury and Financial Institutions         |

(1) Based on the decision of the Board of Directors dated 19 January 2015, Niccoló Ubertalli (in place of Carlo Vivaldi) was appointed as Vice Chairman of the Executive Committee, effective as of 16 February 2015

## Credit Committee

The Credit Committee is an advisory and deliberative body whose purpose is to provide guidelines for the Bank's lending activity in coherence with credit policy, economic objectives and the Bank's overall risk profile. All decisions of the Committee are taken unanimously and can only be implemented after the approval of the Board of Directors if taken by majority. In 2014, the Credit Committee convened 47 times with the required majority and the quorum satisfied. The Committee reviews loan applications and restructuring requests within its authorised delegated limit or advises the Board of Directors for those that are not. Credit Committee also outlines parameters for credit scoring, lending and monitoring systems.

### Credit Committee Principal Members

|               |                                |  |
|---------------|--------------------------------|--|
| Chairman      | H. Faik Açıkalın               | Executive Director and Chief Executive Officer (CEO) |
| Vice Chairman | Carlo Vivaldi <sup>2</sup>     | Executive Director and Deputy CEO                    |
| Member        | Gianni F. G. Papa <sup>2</sup> | Vice Chairman of the Board of Directors              |
| Member        | F. Füsun Akkal Bozok           | Member of the Board of Directors                     |
| Member        | Dr. Jürgen Kullnigg            | Member of the Board of Directors                     |

### Credit Committee Alternate Members

|                  |                             |                                  |
|------------------|-----------------------------|----------------------------------|
| Alternate Member | Laura S. Penna <sup>2</sup> | Member of the Board of Directors |
| Alternate Member | Francesco Giordano          | Member of the Board of Directors |

(2) Based on the decision of the Board of Directors dated 19 January 2015, Niccoló Ubertalli (in place of Carlo Vivaldi) was appointed as Vice Chairman of the Credit Committee and Carlo Vivaldi (in place of Gianni F. G. Papa) as Member of the Committee and Gianni F. G. Papa (in place of Laura S. Penna) as Alternate Member of the Committee, effective as of 16 February 2015

### Audit Committee

The Audit Committee administers the Bank in terms of compliance with local laws and internal regulations. The Committee convenes quarterly or more, according to the needs of the Bank. In 2014, the Audit Committee convened 4 times with the required majority and the quorum satisfied. The Committee reports at least once every six months to the Board of Directors. The Committee's responsibilities include:

- monitoring the performance of Internal Audit, Compliance and Internal Control as well as Risk Management departments
- fulfilling the relevant tasks as determined by Banking and Capital Market regulations
- approving and monitoring the Annual Audit Plan and the charter of the internal audit function
- verifying adequacy of internal control systems
- monitoring audit projects and evaluating significant findings
- appointing, compensating and overseeing external auditor, rating, valuation and support service institutions
- monitoring the financial reporting process
- reviewing procurement policies and practices

#### Audit Committee Members

|          |                      |  |
|----------|----------------------|--|
| Chairman | Gianni F. G. Papa    | Vice Chairman of the Board of Directors      |
| Member   | F. Füsün Akkal Bozok | Member of the Board of Directors             |
| Member   | Francesco Giordano   | Member of the Board of Directors             |
| Member   | Benedetta Navarra    | Independent Member of the Board of Directors |
| Member   | Adil G. Öztoprak     | Independent Member of the Board of Directors |

### Corporate Governance Committee

The Corporate Governance Committee is an advisory body that assists the Board of Directors on compliance to Corporate Governance Principles, investor relations activities and public disclosures. The Committee is responsible for identifying and providing guidance for any conflicts of interest that may arise. The Committee confirms that proper flow of information is ensured by the Koç Financial Services, Subsidiaries and Shareholder Relations Unit to shareholders and investors. All decisions of the Committee are taken unanimously and can only be implemented after the approval of the Board of Directors if taken by majority. In 2014, the Corporate Governance Committee convened 2 times with the required majority and the quorum satisfied.

#### Corporate Governance Committee Members

|        |                                |   |
|--------|--------------------------------|---|
| Member | Gianni F. G. Papa <sup>3</sup> | Vice Chairman of the Board of Directors                                 |
| Member | O. Turgay Durak                | Member of the Board of Directors  |
| Member | M. Erkan Özdemir               | Assistant General Manager - Compliance and Internal Control             |
| Member | Marco Iannaccone               | Assistant General Manager - Financial Planning and Administration (CFO) |

(3) Based on the decision of the Board of Directors dated 19 January 2015, Carlo Vivaldi (in place of Gianni F. G. Papa) was appointed as Member of the Corporate Governance Committee, effective as of 16 February 2015

### Remuneration Committee

The Remuneration Committee monitors and audits compliance of the Bank's compensation principles and remuneration practices with its structure, strategies, long-term targets and risk approach on behalf of the Board of Directors. The Committee convenes at least twice a year or according to the needs of the Bank. In 2014, Remuneration Committee convened 2 times with the required majority and the quorum satisfied.

#### Remuneration Committee Members

|        |                                |   |
|--------|--------------------------------|---|
| Member | Gianni F. G. Papa <sup>4</sup> | Vice Chairman of the Board of Directors |
| Member | O. Turgay Durak                | Member of the Board of Directors        |

(4) Based on the decision of the Board of Directors dated 19 January 2015, Carlo Vivaldi (in place of Gianni F. G. Papa) was appointed as Member of the Remuneration Committee, effective as of 16 February 2015

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# Board of Directors Report

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Dear Shareholders,

Welcome to the Annual Shareholders' Meeting where we will present Yapı Kredi's activities and financial results for 2014.

On behalf of myself and the Board of Directors, I would like to thank you for your participation.

For Yapı Kredi, 2014 was of particular and special importance as it marked the Bank's 70<sup>th</sup> anniversary. Over the past 70 years, Yapı Kredi, the 4<sup>th</sup> largest private bank in Turkey with total asset size of TL 195 billion, has always broken new ground in line with its "Dedication to Deliver" philosophy and customer-centric approach.

2014 was also a special year for Yapı Kredi as it was the first year of the Bank's accelerated growth strategy aimed at strengthening its market positioning and achieving long-term sustainable profitability. In 2014, Yapı Kredi further accelerated its contribution to the financing of the Turkish economy. Accordingly, total cash and non-cash loan volume increased by 27% to TL 174.3 billion, reaching 3<sup>rd</sup> place among private banks in Turkey.

The main pillars behind the growth strategy were to enhance commercial effectiveness capabilities through investments primarily in headcount, ATMs and branches. In 2014, Yapı Kredi increased its headcount by 1,850 to 18,500, its ATM network by 606 to 3,606 and with the opening of 60 new branches, total number branches exceeded 1,000. Therefore, the Bank increased its ranking in terms of number of branches up by 2 notches to 3<sup>rd</sup> place. The Bank also introduced a new branchless direct banking service model "NUVO" and enhanced its already award-winning internet banking.

One of the key achievements of the growth strategy was the significant acceleration in customer acquisition. In 2014, Yapı Kredi increased its customer base by around 600 thousand which indicates a 2.7 times acceleration in customer acquisition compared to previous years. Accordingly, total number of customers reached 10.6 million as of the end of 2014.

Another important development in 2014 was the substantial market share gains in both loans and deposits. Total loans increased by 26% annually to TL 125.5 billion, leading to 70 basis points market share gain to 10.2%. Meanwhile, total deposits increased by 22% annually to TL 107.6 billion, leading to 90 basis points market share gain to 10.0%.

Yapı Kredi was able to maintain a capital adequacy ratio of 15.0% incorporating strong loan growth while asset quality evolution was better than sector evolution with NPL ratio decreasing by 10 basis points compared to 20 basis points increase in the sector.

During the year, the Bank achieved a consistently increasing trend in quarterly net income. As of the end of 2014, Yapı Kredi recorded a consolidated net income of TL 2,056 million and 12.0% return on average tangible equity.

In terms of sustainability, an area of critical importance for Yapı Kredi, the Bank recorded significant headway in 2014. Due to the Bank's successful performance in environmental, social and corporate governance related issues, Borsa Istanbul, in association with the London-based Ethical Investment Research Service (EIRIS), selected Yapı Kredi as one of only 15 BIST-30 companies to be included in its newly formed BIST Sustainability Index.

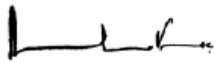
Building on its strong dedication to corporate governance, Yapı Kredi increased its corporate governance rating in 2014, which is granted based on the principles set by the Capital Markets Board, to 9.25 (out of 10) from 8.82 in 2013.

Yapı Kredi maintained its pioneering, innovative and leading position in the targeted areas also in 2014. Through Turkey's first credit card, Worldcard, the Bank maintained its leadership in credit card outstanding volume with a market share of 20.8%, issuing volume with market share of 18.6%, acquiring volume with market share of 20.0% and number of cards with market share of 17.9%.

Yapı Kredi's successful performance was also acknowledged by many respected international and domestic institutions in 2014 with more than 30 prestigious awards throughout the year.

Dear Shareholders,

I would now like to present our 2014 annual report and financial statements for your review and approval. On behalf of the Board of Directors and myself, I would like to thank you, our valuable shareholders, for your unyielding trust and faith in Yapı Kredi.



On behalf of the Board of Directors,  
President  
Mustafa V. Koç

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## Human Resources Implementation

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**Candidate searches:** Following determination of needs in human resources, candidate searches are initiated through existing candidate pools, internet, news releases, internal announcements as well as head hunters. In addition, a special candidate pool composed of existing employees is also prepared for the position. Applications are assessed on the basis of criteria such as education, foreign language skills and work experience, as indicated in the scope of the position. All applicants with the required characteristics are invited to join the recruitment process.

In addition, Yapı Kredi actively undertakes employer branding activities in cooperation with university clubs to introduce the Bank to university students and learn about their expectations.

**Recruitment process:** This stage consists of an examination, interview and job offer. At the examination stage, through tests based on job function, it is determined whether the candidate possesses the necessary abilities required for the position. These abilities include learning capabilities, performing rapid numerical calculations, adaptability, problem solving, identifying details in words and figures, visual, numeric and verbal memory assessments. For some positions, a personality inventory is also applied. The interview stage is aimed at determining whether candidates possess certain abilities (establishing communication, teamwork etc.) required by the position to which they will be assigned, also through role play. Candidates are also asked competency-based and behaviour-focused questions during the interview process to assess whether the qualities required by the job match their expectations.

At the end of the process, the suitable candidate is offered the position and if the offer is accepted, the candidate receives the required document list and an offer letter via e-mail. During the job offer, candidates are informed of employee rights at Yapı Kredi, the articles of the contract they will sign and other relevant subjects. In addition, all of their questions are addressed. Contracts are signed with candidates who accept the job offer and start working at Yapı Kredi.

For newly formed positions or positions that require expertise and technical know-how, candidates with sufficient work experience in the relevant field are preferred. The interview stage of hiring experienced staff is carried out by the Human Resources career and recruitment planning teams in cooperation with the relevant department. Yapı Kredi continues its human resources activities with an aim to choose suitable candidates compatible with the Bank's vision, mission and strategic objectives. For experienced candidates that live in other cities, the Bank has an online interview process allowing candidate evaluation. For the candidates abroad, one-to-one interviews are carried out with the attendance of both Human Resources and Regional Managers.

Senior management and employees receive fixed and performance based income in accordance with the Bank's Remuneration Policy. More detailed information is provided in article 5.6. of the 2014 Corporate Governance Principles Compliance Report.

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## Support Services

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- Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. provides around 122,728,100 printing services per year for credit card and customer account statements
- Physical security services are provided by G4S Güvenlik Hizmetleri A.Ş. (G4S) in 1,003 branches of the Bank and in 17 other locations with 1,093 armed and 18 unarmed security personnel
- Alarm system monitoring, controlling and maintenance services for all technical and electronic security systems are provided by Elektromaks Elektronik ve Güvenlik Sistemleri San. Tic. Ltd. Şti., fire alarm systems controlling and maintenance is provided by Protek Mühendislik Ltd. Şti., card pass systems controlling and maintenance is provided by Senkron A.Ş
- Support services for cash transportation, On-site and Off-site ATM first-line maintenance services are provided by G4S Güvenlik Hizmetleri A.Ş. (G4S) as well. The company is integrated into the Yapı Kredi organisation through 25 G4S offices with around 350 employees and 120 armoured vehicles
- Support services for cash transportation, On-site and Off-site ATM first-line maintenance services are provided by Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. (BANTAŞ). The company is integrated into the Yapı Kredi organisation through 15 BANTAŞ offices with around 360 employees and 99 armoured vehicles
- Altus Bilişim Hizmetleri A.Ş. and NCR Bilişim Sistemleri Ltd. Şti. provide second-line maintenance services for On-site and Off-site ATMs

# Corporate Governance Principles Compliance Report

## SECTION I - Declaration of Compliance with Corporate Governance Principles

Yapı Kredi strives to comply with the Corporate Governance Principles published by the Capital Markets Board (CMB) to a significant degree and focuses on continuous development in this area while carrying out its operations.

The mandatory principles within the scope of the Communiqué on Corporate Governance numbered II-17.1 which is currently in effect during the year 2014 have been fully complied with and the non-mandatory principles have been mostly complied with. Even though full compliance with the non-mandatory Corporate Governance Principles is targeted, full compliance has not yet been achieved due to reasons such as practical challenges with some principles, ongoing discussions both in the country and internationally in relation to compliance with some principles and the fact that some principles do not completely overlap with the existing structure of the market and the Bank. The Bank is working on those principles which have not yet been implemented and plans to start implementation following completion of administrative, legal and technical infrastructure developments to contribute to the efficient management of the Bank. This report outlines clearly Yapı Kredi's extensive efforts conducted within the framework of the Corporate Governance Principles and the principles that have not yet been complied with and the conflicts of interest, if any, arising from these.

Efforts for compliance with the Capital Markets Law which covers new CMB regulations on Corporate Governance Principles and with communiques issued on the basis of this law was the main focus of the Bank in terms of Corporate Governance in 2014. Amendments to the Articles of Association which were required for compliance with the new Turkish Commercial Code and the Capital Markets Law were completed; the Bank's Board of Directors and Committees of the Board of Directors were formed in line with the regulations presented in the communiqué on Corporate Governance. Committees of the Board of Directors that are formed perform their duties effectively. In addition, a Remuneration Policy was formed for the Board of Directors, senior management and employees. This policy was subsequently submitted to the attention of shareholders at the Annual Shareholders' Meeting. The Annual Shareholders' Meeting disclosure document, containing information such as the shareholding structure, total number of shares and voting rights, biographies of the candidates elected for membership to the Board of Directors and the Remuneration Policy, was submitted to the attention of shareholders 3 weeks prior to the Annual Shareholders' Meeting. Furthermore, the Bank's corporate website and Annual Report were reviewed and necessary revisions to ensure full compliance with the principles were made. Further efforts required for compliance with the principles will be carried out in the upcoming period by taking into consideration both developments in legislation and practice.

In clause 3 of article 6 of the Communiqué on Corporate Governance in relation to exemptions, it is stated that the number of Independent Board Members may be determined by banks themselves on the condition that this number is not less than three and that Board Members who are also as Audit Committee Members within the Bank shall be considered as Independent Board Members within the framework of this communiqué. The communiqué also states that the qualifications set forth in Corporate Governance principle numbered 4.3.6 shall not be sought in Audit Committee Members of banks and that the principles numbered 4.3.7 and 4.3.8 in relation to the election of these members shall not be applied. The same communiqué also provides that the qualifications set forth in the principle numbered 4.3.6 shall be required in any case in respect to Independent Board Members who will are not appointed to the Audit Committee, and for only one member in cases where all Independent Board Members are appointed to the Audit Committee and that the principles numbered 4.3.7 and 4.3.8 shall apply with regard to the election of this/these Independent Board Members. In this framework, all Members of the Bank's Audit Committee were independent members in 2014, with Benedetta Navarra and Adil Giray Öztoprak having the qualifications set forth in principles numbered 4.3.7 and 4.3.8.

Among the Corporate Governance Principles, the following Principles which are not mandatory have not been fully complied with yet due to the reasons stated above. Detailed information in this respect is provided in the relevant sections below. There is no conflict of interest arising from non-compliance with the said principles.

- In relation to principle numbered 1.5.2, minority rights are not vested by the Articles of Association in shareholders holding less than one twentieth of the capital and rights are vested within the framework of the general regulations in legislation
- In relation to principle numbered 4.3.9, no target rate and target time have been determined yet in relation to the rate of female members in the Board of Directors but the rate of female members in the Board of Directors of the Bank was 25% in 2014
- In relation to principle numbered 4.4.7, no limits are introduced for Members of the Board of Directors preventing them from assuming duties outside the company due to the fact that their sectoral and business experience makes a significant contribution to the Board of Directors
- In relation to principle numbered 4.5.5, the appointment of the Members of the Board of Directors in committees is performed by taking into consideration their knowledge and experience and in line with the relevant legislation and some Members of the Board of Directors are appointed to more than one committee. Those members who assume duties in more than one committee ensure communication and increase cooperation opportunities among committees that work in related matters
- In relation to principle numbered 4.6.5, remunerations made to the Members of the Board of Directors and to the executives with administrative responsibilities are collectively and publicly disclosed in the footnotes of the financial statements in line with the general practice

Yapı Kredi's corporate governance rating in the BIST Corporate Governance Index which the Bank joined back in 2008, started with 8.02 (over 10) and was increased to 9.25 through the Corporate Governance Rating Report issued by SAHA Corporate Governance and Credit Rating Services Inc. and publicly disclosed by the Bank on 29 December 2014. The ratings in terms of main sections were set as 9.59 for Shareholders, 9.05 for Public Disclosure and Transparency, 9.35 for Stakeholders and 9.12 for the Board of Directors.

## SECTION II - Shareholders

### 2.1. Investor Relations Unit

The functions at Yapı Kredi in relation to Investor Relations are carried out by 2 separate units, namely the "Koç Financial Services (KFS), Subsidiaries and Shareholder Relations Unit" under Mehmet Erkan Özdemir, Assistant General Manager for Compliance and Internal Control and the "Investor Relations Unit" under Marco Iannaccone, Assistant General Manager for Financial Planning and Financial Affairs (CFO). During the year, all telephone and e-mail inquiries to both units were answered within the scope of the relevant legislation. Within the scope of relations with the Bank's shareholders, the Investor Relations Unit held more than 950 meetings with investors, more than 30 meetings with analysts and approximately 100 teleconferences in addition to attending 33 conferences and roadshows in order to meet existing and potential investors and ensure that shareholders are updated on recent developments. Quarterly financial results were presented 4 times during the year via quarterly teleconferences and questions by investors and analysts were answered by senior management.

The 2014 Report on Investor Relations Activities was reviewed by the Corporate Governance Committee of the Bank on 26 February 2015 and was submitted to the Bank's Board of Directors on the same date.

Functions of KFS, Subsidiaries and Shareholder Relations Unit are:

- To ensure that correspondence between shareholders and the Bank as well as relevant information and documents within the scope of legislation are performed and managed in a sound, safe and updated manner
- To prepare necessary documents to be submitted to the attention and review of shareholders for the Annual Shareholders' Meeting and to take measures to ensure that the Annual Shareholders' Meeting is held in compliance with relevant legislations, the Articles of Association and other regulations within the shareholding structure
- To oversee and monitor the fulfillment of liabilities arising from the Capital Markets Board Legislation including all matters related to Corporate Governance and Public Disclosure

Functions of the Investor Relations Unit are:

- To manage relations with domestic and international investors/shareholders as well as banking analysts at brokerage houses and to inform them regularly and proactively by answering their oral and written questions
- To manage relations with the international credit rating agencies and to answer their oral and written questions
- To prepare printed and web-based annual and interim reports and to coordinate the compilation of the contents of these reports in accordance with legislation
- To include relevant information required by the Corporate Governance Principles in the Investor Relations section on the Bank's website and to keep this information updated

### KFS, Subsidiaries and Shareholder Relations Unit

|                       |   |
|-----------------------|---|
| Head of the Unit      | : Erdiñç TETİK  |
| Title                 | : Director of KFS, Subsidiaries and Shareholder Relations Unit                      |
| Licences              | : Capital Market Activities Level 3 License and Corporate Governance Rating License |
| Telephone             | : 0 212 339 64 31   |
| E-mail                | : erdinc.tetik@yapikredi.com.tr   |
| Employees of the Unit | : Hasan SADI* - Ercan YILMAZ  |

\*holds Capital Market Activities Level 3 License and Corporate Governance Rating License

### Investor Relations Unit

|                       |   |
|-----------------------|---|
| Head of the Unit      | : Gülsevin TUNÇAY YILMAZ                        |
| Title                 | : Investor Relations Director                   |
| Telephone             | : 0 212 339 73 23                               |
| E-mail                | : gulsevin.yilmaz2@yapikredi.com.tr             |
| Employees of the Unit | : Feride TELCİ - Ersin Efe MERİÇ - Tunç TATLICI |

### 2.2. Exercise of Shareholders' Right to Obtain Information

No discrimination is made among shareholders in terms of their right to obtain and review information. All information except for trade secrets are shared with shareholders. Questions received by the Investor Relations Unit are answered both by telephone and in writing after consulting with relevant managers, except for information that is deemed to be confidential or a trade secret. As explained in Chapter 3.1 of this report, all information and explanations that could impact the use of shareholding rights are included in the corporate website. Yapı Kredi continuously communicates with and informs shareholders through telephone, e-mail, internet, press releases as well as one-on-one and group meetings.

The appointment of a special auditor has not been stipulated as an individual right in the Bank's Articles of Association. However, shareholders can exercise this right at the Annual Shareholders' Meeting even if it is not on the agenda, pursuant to article 438 of the Turkish Commercial Code. This right allows shareholders to clarify specific cases in order to be able to exercise their



shareholding rights even if the right to obtain and review information was exercised beforehand. In 2014, no such requests were made. According to Banking Law, Yapı Kredi is subject to supervision and audit from the Banking Regulation and Supervision Agency (BRSA) as well as CMB regulations. In addition, the Bank's activities are periodically audited by an Independent Auditor who is elected at the Annual Shareholders' Meeting.

### 2.3. Annual Shareholders' Meetings

The most recent Annual Shareholders' Meeting was held on 27 March 2014 at the conference hall of the Bank's Head Office at Yapı Kredi Plaza D Blok Levent - İstanbul. Shareholders attended this meeting with a 92.90% majority, while no stakeholder or media representative attended. In accordance with the applicable law and the Bank's Articles of Association, meeting invitation was announced via Turkish Trade Registry Gazette, Public Disclosure Platform (KAP), the e-company and Electronic General Meeting System of the Central Securities Depository Institution (MKK).

The following documents related to 2013 were made available for the examination of shareholders at the Bank's Head Office and branches, on its website [www.yapikredi.com.tr](http://www.yapikredi.com.tr) as well as at KAP and the Electronic General Meeting System of the MKK within the legal period of 3 weeks prior to the Annual Shareholders' Meeting:

- Board of Directors and Audit Committee Reports
- Financial Statements and Independent Audit Report
- Annual Report containing the Dividend Distribution Proposal, date and the agenda of the Annual Shareholders' Meeting as well as the Corporate Governance Principles Compliance Report
- Detailed disclosure note regarding the Agenda of the Annual Shareholders' Meeting, as per the requirement of CMB regulation

At the Annual Shareholders' Meeting, the Dividend Distribution and Remuneration Policies were approved in addition to the regular articles. Transactions regarding liquidation by sale of some Bank receivables that are being followed up in non-performing loan accounts were approved and the Members of the Bank's Board of Directors were cleared regarding these transactions. Shareholders were informed of donations and charities made in 2013 and a ceiling amount for the donations to be made in 2014 was determined by the General Assembly as TL 12,000,000. At the Annual Shareholders' Meeting, an opportunity was presented to shareholders to speak and ask questions regarding all agenda items but no questions which required a written response were brought forward.

Minutes of the Annual Shareholders' Meeting can be accessed via the the Electronic General Meeting System (KAP) and e-company portal of the MKK as well as Yapı Kredi's website.

A proposal was submitted by shareholders to add an item to the 2014 meeting agenda. This proposal was reviewed and rejected by the Bank's Board of Directors.

At the Board of Directors, there was no transaction for which an affirmative vote of the majority of the independent members of the Board of Directors was sought for making a decision and for which the decision was left to the General Assembly due to the fact that the said members cast a negative vote.

There were no cases where shareholders with management control, Board Members, managers with administrative responsibilities and their spouses, relatives by blood or marriage up to the second degree (i) carried out a significant transaction that could cause conflict of interest with the company or its affiliates and/or (ii) carried out any transaction on behalf of themselves or others that falls within the field of operations of the company or its affiliates or (iii) became an unlimited-liability partner of another company dealing with the same kind of business.

### 2.4. Voting and Minority Rights

Yapı Kredi has no privileged shares. There is no cross-shareholding between the Bank and its subsidiaries and thus no such votes were cast at the latest Annual Shareholders' Meeting. Minority shares are not represented in management. Minority rights are not vested by the Articles of Association to shareholders holding less than one twentieth of the capital. Rights are vested within the framework of general regulations within the legislation.

### 2.5. Right to Dividend

As Yapı Kredi has no privileged shares, no privilege exists in dividend distribution. In 2014, a total gross cash dividend of TL 388,000,000 was distributed from 2013 net income.

The Dividend Distribution Policy of the Bank was approved at the Annual Shareholders' Meeting held on 27 March 2014. The Dividend Distribution Policy of the Bank, which is available on KAP, the Bank's website and the annual report, stipulates that *"Principles regarding the Bank's dividend distribution are set out in detail in the Bank's Articles of Association. In this respect, shareholders, taking into consideration the Bank's growth targets as well as its financing requirements and the opinion of the Banking Regulation and Supervision Agency (BRSA), are authorised to pass resolutions on whether the dividend distribution shall be in cash or in the form of capital increase, whereupon bonus shares will be issued to shareholders or if part of the distribution shall be in cash and part in the form of capital increase. As per the Articles of Association, the General Assembly may decide to transfer a portion or all of the distributable profit to retained earnings or extraordinary reserves. It is envisaged that the Dividend Distribution Policy of the Bank will be set out in a way to ensure the realisation of long-term growth plans. This policy is subject to revision by the Board of Directors whenever necessary, taking into consideration the domestic and international economic conditions and the projects and funds on the agenda."*



## 2.6. Transfer of Shares

There are no provisions in Yapı Kredi's Articles of Association that restrict transfer of shares. The provisions of the Banking Law which set the transfer of shares are reserved.

## SECTION III - Public Disclosure and Transparency

### 3.1. Corporate Website and Its Contents

In accordance to the Bank's Corporate Governance Principles, the Bank has two separate and regularly updated websites in Turkish ([www.yapikredi.com.tr](http://www.yapikredi.com.tr)) and English ([www.yapikredi.com.tr/en-us](http://www.yapikredi.com.tr/en-us)). Both websites provide detailed information about Yapı Kredi under the Investor Relations section.

The Investor Relations section in Turkish ([www.yapikredi.com.tr/tr-TR/yatirimci\\_iliskileri](http://www.yapikredi.com.tr/tr-TR/yatirimci_iliskileri)) provides information regarding the Bank's history, vision and values, shareholding structure, share price, periodic financial tables and annual reports, credit ratings given by rating agencies, corporate governance reports, the Board of Directors, senior management, Articles of Association, trade registry information, disclosure policy, code of ethics, details on Annual Shareholders' Meetings, including minutes, agenda, list of attendees and sample power of attorneys, explanations for material events disclosure and the future expectations of the Bank as stated within the scope of article 10 of the Communique on Material Events Disclosure and all other relevant information. The Annual Shareholders' Meeting disclosure note containing discussion topics related to the agenda and relevant documents (annual report, financial statements, dividend distribution table, Dividend Distribution Policy and other documents regarding the agenda) are available on the website and presented at the Annual Shareholders' Meeting.

The Investor Relations section in English provides information on Yapı Kredi, the progress of shares and bonds, information on the Medium Term Note Program, investor relations calendar, investor relations presentations, investor bulletin and the list of analysts. In 2014, periodic updates and amendments on all matters were conducted in a timely manner.

### 3.2. Annual Report

The Bank's annual report is prepared according to BRSA Regulations regarding the Principles and Procedures Concerning the Preparation of the Annual Report by Banks. In addition, the Annual Report is prepared in a way to include the information set forth in the Capital Markets Board (CMB) Legislation and the Corporate Governance Principles.

## SECTION IV - Stakeholders

### 4.1. Informing Stakeholders

Yapı Kredi employees are informed about the Bank's activities via internal communication systems by the CEO and relevant senior management when necessary. In addition, Head Office and branch managers are regularly informed about various developments via management meetings, announcements and other communication channels. The Bank's Code of Ethics and compliance to this code are reported to the Corporate Governance Committee on a regular basis. Outside of Yapı Kredi's employees, stakeholders are notified regarding information pertaining to themselves and when deemed necessary via e-mail, telephone and other communication channels. Mechanisms have been established for stakeholders to submit the transactions of the company that are contrary to the legislation and not ethically appropriate to the Bank's senior management.

### 4.2. Participation of Stakeholders in Management

Yapı Kredi is a joint stock company and is managed by internal executive functions. The decision making responsibilities of these functions are initially evaluated by the relevant management and then submitted for the approval of the related decision making bodies. Furthermore, there are channels available for stakeholders and specifically for the Bank's employees in order for them to support the management of the Bank without hindering the activities of the Bank. In this regard, internal customer satisfaction measurements are conducted once a year in order to get the views and opinions of Bank's employees.

### 4.3. Human Resources Policy

The Bank's human resources practices are based on its Employee Guidelines. These guidelines inform employees about human resource practices and set conditions pertaining to administrative services. Through the Employee Guidelines, the Bank aims to inform and provide consultancy to employees regarding all matters relevant to employee relations such as employee selection, placement and development based on employee knowledge, skills and talent, fair and proper compensation, performance enhancing training opportunities, provision of an appropriate work environment to maximize employee efficiency, information on working order, practices and rules, vacations, leave of absence, insurance benefits, administration etc. The Bank's human resources and organization management carries out its operations without discrimination of race, gender, nationality, age, religion, political view and physical disability and with respect towards privacy and civil rights. Job description as well as performance and bonus guidelines are announced to all employees of the Bank. In addition, the Bank has a human resources portal available to all employees with published detailed policies under main headings of career, new career development, salary and benefits as well as performance.

Furthermore, all Bank employees are able to share any discomfort and complaints with regard to these matters, orally or in writing, to the code of conduct within the Compliance and Internal Control and to the Ethics, Fight Against Corruption and Conflict of Interest section.

On the other hand, under the Trade Unions and Collective Labour Agreements Law No. 6356, a Collective Bargaining Agreement is

in place between the Bank and Union of Bank and Insurance Workers. The purpose of this agreement is identifying the benefits and responsibilities of the Bank and union members regarding contents and termination of members' labour contracts and other issues, ensuring that these are implemented correctly and demonstrating solutions in the event of possible conflicts. Through this agreement, both parties mutually guarantee to be on good terms, labour peace, well-being, and labour safety. As a part of the Collective Bargaining Agreement, Workplace Union Representatives are designated by BASISEN on behalf of the members of the union. These representatives are commissioned to listen to members, resolve their complaints, assure cooperation, labour peace and harmony between workers and the employer, monitor the rights and interests of the workers and assist the exercise of the working conditions subject to the labour laws and collective bargaining agreements.

Outlines of the recruitment process, carried out in line with the Bank's human resources practices, are given below.

**Candidate searches:** Following determination of needs in human resources, candidate searches are initiated through existing candidate pools, internet, news releases, internal announcements as well as head hunters. In addition, a special candidate pool composed of existing employees is also prepared for the position. Applications are assessed on the basis of criteria such as education, foreign language skills and work experience, as indicated in the scope of the position. All applicants with the required characteristics are invited to join the recruitment process.

In addition, Yapı Kredi actively undertakes employer branding activities in cooperation with university clubs to introduce the Bank to university students and learn about their expectations.

**Recruitment process:** This stage consists of an examination, interview and job offer. At the examination stage, through tests based on job function, it is determined whether the candidate possesses the necessary abilities required for the position. These abilities include learning capabilities, performing rapid numerical calculations, adaptability, problem solving, identifying details in words and figures, visual, numeric and verbal memory assessments. For some positions, a personality inventory is also applied. The interview stage is aimed at determining whether candidates possess certain abilities (establishing communication, teamwork etc.) required by the position to which they will be assigned, also through role play. Candidates are also asked competency-based and behaviour-focused questions during the interview process to assess whether the qualities required by the job match their expectations.

At the end of the process, the suitable candidate is offered the position and if the offer is accepted, the candidate receives the required document list and an offer letter via e-mail. During the job offer, candidates are informed of employee rights at Yapı Kredi, the articles of the contract they will sign and other relevant subjects. In addition, all of their questions are addressed. Contracts are signed with candidates who accept the job offer and start working at Yapı Kredi.

For newly formed positions or positions that require expertise and technical know-how, candidates with sufficient work experience in the relevant field are preferred. The interview stage of hiring experienced staff is carried out by the Human Resources career and recruitment planning teams in cooperation with the relevant department. Yapı Kredi continues its human resources activities with an aim to choose suitable candidates compatible with the Bank's vision, mission and strategic objectives. For experienced candidates that live in other cities, the Bank has an online interview process allowing candidate evaluation. For the candidates abroad, one-to-one interviews are carried out with the attendance of both Human Resources and Regional Managers.

#### 4.4. Code of Ethics and Social Responsibility

Information on the Bank's code of ethics is publicly disclosed on the Bank's website. Furthermore, a policy for fighting against corruption and bribery is also published on the Bank's website.

Yapı Kredi maintains strong relations with non-governmental organizations as well as public social organizations. In addition, the Bank undertakes activities in line with its focus on environmental awareness.

#### Yapı Kredi Cultural Activities, Arts and Publishing

Yapı Kredi Publishing is an important player in the world of publishing thanks to the 4,250 books it has published so far, with an annual average of 250 new books and 550 new editions. The share of children's books has been gradually increasing within the range of publications. Approximately 40 thousand students, teachers, librarians and authors are brought together every year in 200 school visits and library presentations held annually. On the other hand, Yapı Kredi Cultural Center reaches an average of 70 thousand followers through 160 events and 9 exhibitions held during the year and thus maintains a reputable position in the cultural and artistic life of our country. Through its mission to support educational, cultural and artistic projects that will elevate the welfare level of the society, Yapı Kredi Cultural Activities, Arts and Publishing also attaches great importance to publishing audio books, which is a recently growing field of activity in Turkey.

#### Projects for Disabled Citizens

- **Enabled Banking:** Initiated in 2008 as the first and most comprehensive Enabled Banking program in Turkey, the project aims to provide disabled customers with convenient access to banking services. The Bank also launched the first enabled banking website in Turkey, [www.engelsizbankacilik.com.tr](http://www.engelsizbankacilik.com.tr), making the finance sector more accessible for Turkey's disabled citizens. Under this program, "Home Agent" (Customer Representatives working from home) project started was in 2014, which provides disabled citizens the opportunity to join the work force, operating in the comfort of their own homes. 9 disabled individuals were employed via this project. In addition, "Speaking is in our Hands" project provided sign language training to around 300 branch employees with an aim to reach out to hearing-impaired customers by using sign language and giving them faster and more efficient service.

- **I Know No Barriers for My Country:** Yapı Kredi continued to play an active role in this project, which started under the leadership of Koç Group. Accordingly, Yapı Kredi strives to make its products and services as well as its service points more accessible for disabled customers. At the same time, the Bank organises training programs for employees to increase awareness.
- Within the scope of Yapı Kredi Publishing's supportive practices, 93 books have been transferred to digital platform and converted into audio book with 24/7 phone access.

#### Sustainability and Yapı Kredi

- **Building Sustainability:** A Yapı Kredi Sustainability Committee was formed in an effort to adopt a more integrated approach to sustainable banking and corporate social responsibility.
- **Sustainability Report:** In 2014, Yapı Kredi published its first Global Reporting Initiative (GRI) approved sustainability report.
- **BIST Sustainability Index:** Due to the Bank's successful performance in environmental, social and corporate governance related issues, Borsa Istanbul, in association with the London-based Ethical Investment Research Service (EIRIS), selected Yapı Kredi as one of only 15 BIST-30 companies to be included in its newly formed BIST Sustainability Index.

#### Culture and Art Projects

- **Afife Theater Awards:** Held each year since 1997 with the continuous support of Yapı Kredi and under mentorship of well-known stage actor Haldun Dormen, Afife Theater Awards were organized for the 18th time in 2014.
- **The Çatalhöyük Excavations:** Excavations in Çatalhöyük, cited as one of the oldest and most advanced Neolithic settlements, have been continuing under the main sponsorship of Yapı Kredi since 1997. A Çatalhöyük exhibit was organized by Yapı Kredi Culture, Arts and Publishing in Istanbul in September 2014.

#### Education Projects

- **I Read, I Play:** Conducted in cooperation with the Educational Volunteers of Turkey Foundation (TEGV), the "I Read, I Play" project aims to help children develop their reading skills, supported by the efforts of 40 learning units and 10 education parks. The project reached 120 thousand children since 2006, with the support of 3,500 volunteers.
- **Colored Pens:** Launched in 2014 under the name of "Colored Pens Newspaper", it is the communication channel for the "I Read, I Play" project. Through this project, children were given the chance to participate in the "I Read, I Play" sessions at 10 education parks and publish a newspaper under the guidance of some of the best journalists in Turkey. The activity was initiated in Istanbul, Samsun and Van in 2014 and will spread out to other cities of Turkey in 2015.

#### Environmental Projects

- **Recycling Project:** Launched in 2008, Yapı Kredi has been implementing a recycling project to support the sustainability of natural resources. As part of the project, above 1 million kgs of paper, more than 6 thousand kgs of plastics, more than 500 kgs of glass and 290 kg of metals were collected for recycling in 2014. Accordingly, Yapı Kredi prevented 38 thousand tons of greenhouse gases from being released into the atmosphere, saved 18 thousand trees, around 27 million litres of water, 86,100 kW/h of energy and 27 tons of crude oil.
- **Plastic Cap Campaign:** Yapı Kredi employees took part in the plastic cap collection campaign organized by the Spinal Cord Paralytics Association of Turkey and collected 750 kgs of plastic caps for the cause. The revenue from the recycling of the caps was donated to the Association and converted into wheelchairs.
- **ISO 14064:** Yapı Kredi completed the certification process for ISO 14064 Greenhouse Gases Reporting, which began in 2011. The Bank has also been qualified to receive the certification for ISO 14064. The certification process for 2012 and 2013 was finalised in 2014.

#### Relations with the Academic Community

- **Finance Chair:** To support scientific research in finance, Yapı Kredi continued to sponsor the Finance Chair founded at Koç University in collaboration with the University in 2014.
- **Academic Scholarship:** Yapı Kredi continued to sponsor Koç University's Academic Scholarship Program, founded in 2011, raising the number of scholars supported in this program to 4 in 2014.

In 2014, Yapı Kredi channelled TL 4.7 million towards culture and art events as well as corporate social responsibility activities. In addition, the Banks disbursed TL 6.8 million in aid and donations.

## SECTION V - Board of Directors

### 5.1. Structure and Formation of the Board of Directors

The Bank is governed and represented by the Board of Directors. The number of Board Members and the Members themselves are determined at the Annual Shareholders' Meeting. The numbers and the qualifications of the Independent Members are determined in accordance with the BRSA and the CMB. According to the Bank's Articles of Association, the Board of Directors must be composed of a minimum of 8 individuals. Members are elected by the General Assembly for a term of maximum 3 years and serve until the election of their successor.

Information on the Members of the Board of Directors who are elected at the Shareholders' Meeting on March 27, 2014 in order to serve until the Annual Shareholders' Meeting where the 2014 activities will be discussed is available in the following table (as of 31.12.2014) and their CVs are provided on the Bank's website and its annual report. At the Bank's Board of Directors, the Executive

Director and the CEO as well as the Executive Director and Deputy CEO serve as executive members.

| Name, Surname                    | Position                                | The Most Recent Positions Outside the Corporation  | Whether or Not an Independent Member of the Board of Directors | Committee Memberships and Positions  |
|----------------------------------|---|--|--|--|
| Mustafa V. Koç                   | Chairman                                | Chairman of the Board of Directors at Koç Holding A.Ş., Koç Finansal Hizmetler A.Ş./ Chairman of the Board of Directors, Vice Chairman and Member at Koç Holding Group companies   | Not Independent  | -  |
| Gianni F. G. Papa <sup>(1)</sup> | Vice Chairman of the Board of Directors | Chairman of Management at UniCredit Group for Central and Eastern Europe Region / Vice Chairman of Executive Board at UniCredit Bank Austria AG. / Vice Chairman of Board of Directors at Koç Finansal Hizmetler A.Ş.              | Independent  | Chairman of Audit Committee / Member of Credit Committee / Member of Corporate Governance Committee / Member of Remuneration Committee |
| H. Faik Açıklan                  | Chief Executive Officer                 | Chief Executive Officer and Managing Director at Koç Finansal Hizmetler A.Ş./ Chairman of Koç Holding A.Ş. Banking and Insurance Group / Chairman of Board of Directors at Yapı ve Kredi Bankası A.Ş. financial affiliates         | Not Independent  | Chairman of Credit Committee / Chairman of Executive Committee   |
| Carlo Vivaldi <sup>(1)</sup>     | Executive Director and Deputy CEO       | Vice Chief Executive Officer and Managing Director of Koç Finansal Hizmetler A.Ş./ Vice Chairman and Member of Board of Directors of Yapı ve Kredi Bankası A.Ş. financial affiliates   | Not Independent  | Vice Chairman of Credit Committee / Vice Chairman of Executive Committee   |
| Ahmet F. Ashaboğlu               | Member of the Board of Directors        | CFO of Koç Holding A.Ş./ Member of Board of Directors of Koç Group companies / Member of the Board of Directors at Koç Finansal Hizmetler A.Ş./ Member of the Board of Directors at Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı | Not Independent  | -  |
| F. Füsün Akkal Bozok             | Member of the Board of Directors        | Member of the Board of Directors at Koç Finansal Hizmetler A.Ş./ Lecturer at Sabancı University  | Independent  | Member of Audit Committee / Member of Credit Committee   |
| O. Turgay Durak                  | Member of the Board of Directors        | CEO of Koç Holding A.Ş./ Member of the Board of Directors at Koç Finansal Hizmetler A.Ş./ and various positions at Board of Directors of Koç Holding A.Ş. Group companies  | Not Independent  | Member of Corporate Governance Committee / Member of Remuneration Committee  |
| Francesco Giordano               | Member of the Board of Directors        | Member of Managing Board and Chief Financial Officer at UniCredit Bank Austria / Member of Board of Directors at Koç Finansal Hizmetler A.Ş.   | Independent  | Member of Audit Committee / Alternate Member of Credit Committee   |
| Dr. Jürgen Kullnigg              | Member of the Board of Directors        | Head of Risk Management at UniCredit / Member of the Board of Directors at Koç Finansal Hizmetler A.Ş.   | Not Independent  | Member of Credit Committee   |
| Benedetta Navarra                | Member of the Board of Directors        | Member of the Board of Directors of Koç Finansal Hizmetler A.Ş. / Member of the Board of Directors at AS Roma / Member of the Board of Directors at Statutory Auditors Equitalia S.p.A.  | Independent  | Member of Audit Committee  |
| Laura S. Penna <sup>(1)</sup>    | Member of the Board of Directors        | Unit Manager of UniCredit Management Consultancy / Member of the Board of Directors at UniCredit Business Integration Solutions / Member of the Board of Directors at Koç Finansal Hizmetler A.Ş.                                  | Not Independent  | Alternate Member of Credit Committee   |
| Adil G. Öztoprak                 | Member of the Board of Directors        | Member of the Board of Directors of Koç Finansal Hizmetler A.Ş./ Independent Member of the Board of Directors at Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı  | Independent  | Member of the Audit Committee  |

(2) Based on the decision of the Board of Directors dated 19 January 2015, Niccolò Ubertalli was appointed as Executive Director of Yapı Kredi (in place of Laura S. Penna, who has resigned as Director as of 16 February 2015). Gianni F.G. Papa, Vice Chairman, was relieved of this duty as of 16 February 2015 and continues as Director. Carlo Vivaldi, Executive Director, was relieved of this duty and continues as Vice Chairman. Since Carlo Vivaldi was appointed as Senior Executive Vice President of UniCredit in charge of Central and Eastern Europe Division as well as Deputy Chairman of the Management Board of UniCredit Bank Austria AG, he resigned from Deputy CEO of Yapı Kredi as of 16 February 2015. Instead, Niccolò Ubertalli was appointed as the Deputy CEO of Yapı Kredi

The posts of Chairman of the Board of Directors and the General Manager (CEO) are not occupied by the same individual. It is ensured that the Members of the Board of Directors allocate sufficient time for the work of the Bank and no limits are introduced for the Members of the Board preventing them from assuming a duty or duties outside the Bank.

Benedetta Navarra and Adil G. Öztoprak were nominated as candidates for Independent Members to the Board of Directors on 20.01.2014 as a result of the examination of Candidacy Declarations and CVs by the Corporate Governance Committee and they were identified as candidates for Independent Members by the Board of Directors on the same date. It was decided in CMB's meeting held on 17.02.2014 that no negative opinions be submitted for Benedetta Navarra and Adil G. Öztoprak and they were elected as Independent Members at the Annual Shareholders' Meeting.

In clause 3 of article 6 of the Communiqué on Corporate Governance in relation to exemptions, it is stated that the number of Independent Board Members may be determined by banks themselves on the condition that this number is not less than three and that Board Members who are also as Audit Committee Members within the Bank shall be considered as Independent Board Members within the framework of this communiqué. The communiqué also states that the qualifications set forth in Corporate Governance principle numbered 4.3.6 shall not be sought in Audit Committee Members of banks and that the principles numbered 4.3.7 and 4.3.8 in relation to the election of these members shall not be applied. The same communiqué also provides that the qualifications set forth in the principle numbered 4.3.6 shall be required in any case in respect to Independent Board Members who will are not appointed to the Audit Committee, and for only one member in cases where all Independent Board Members are appointed to the Audit Committee and that the principles numbered 4.3.7 and 4.3.8 shall apply with regard to the election of this/these Independent Board Members. In this framework, all Members of the Bank's Audit Committee were independent members in 2014, with Benedetta Navarra and Adil Giray Öztoprak having the qualifications set forth in principles numbered 4.3.7 and 4.3.8.

During the 2014 operational period, no case that removed independence arose.

No target rate was determined in relation to the rate of female members in the Board of Directors as a tool for ensuring the representation of different opinions on the Board but the rate of female members in the Board of Directors was 25% in 2014.

## 5.2. Operating Principles of the Board of Directors

The Board of Directors convenes upon the invitation of the Chairman as the operations of the Bank necessitate and at least 10 times a year. In 2014, the Board of Directors convened 11 times. The Board of Directors meeting and decisions are subject to the quorum of at least one more than half the total number of members. Members of the Board of Directors are not granted weighted voting rights. The average attendance rate of the members in the meetings of the Board of Directors in 2014 was 90%.

Meeting invitations are sent to all Members and Statutory Auditors on behalf of the Chairman. Matters to be discussed and related documentation are collected and upon the Chairman's approval, the meeting agenda is sent to all Members and Statutory Auditors. During the signing of the minutes by the attendees, Members who vote against an adopted resolution are required to state and undersign the reasons for their opposition thereof. Requests and views expressed at the Board of Directors' meetings are reflected in the minutes.

A 'Management Liability Insurance' is available for Members of the Board of Directors and the senior managers of the Bank.

### 5.3. Number, Structure and Independence of Committees Formed by the Board of Directors

The aim of the committees is to provide support during the decisionmaking process, evaluate proposals to be submitted for approval to the Bank's related functions and make decisions in their own areas of responsibility in accordance with the authorities delegated by the Board of Directors. The committees are responsible for acting in compliance with the Banking Law and related regulations while carrying out their functions within the framework of the Corporate Governance Principles.

According to the Banking Law, members of committees excluding the Executive Committee must be members of the Board of Directors. The Board of Directors currently consists of 12 members. The Board of Directors and other committee members are allocated in accordance to the Bank's joint venture shareholding structure. As a result, there are Members of the Board of Directors who are part of more than 1 committee. Those members who assume duties in more than one committee ensure communication and increase cooperation opportunities among committees that work in related matters.

#### Executive Committee

The Executive Committee is the decision making body of the Group, established to collectively decide upon priority topics, facilitate information sharing among senior management and support strong team spirit. The Committee holds regular biweekly meetings or according to the needs of the bank (at least once a month). All decisions are taken unanimously by the principal members. In 2014, the Executive Committee convened 27 times with the required majority and the quorum satisfied.

The Executive Committee is the decision making body of the Group, established to collectively decide upon priority topics, facilitate information sharing among senior management and support strong team spirit. The Committee holds regular biweekly meetings or according to the needs of the bank (at least once a month). All decisions are taken unanimously by the principal members. In 2014, the Executive Committee convened 27 times with the required majority and the quorum satisfied. The Committee's responsibilities include:

- defining Group strategies and the Bank's structural risk management
- managing asset-liability guidelines including pricing and interest rates
- existing product evaluation and new product approval
- assessing credit, operational, market and liquidity risk
- ensuring coherence of the Bank's commercial policies and principles with budget objectives
- further improving customer satisfaction marketing activities
- internal and external communication plans
- approval of the Bank's annual project plan and major organisational changes
- optimisation of market risk profile strategies within the guidelines set by the Board of Directors

#### Executive Committee Members

|               |                            |   |
|---------------|----------------------------|---|
| Chairman      | H. Faik Açıkalın           | Executive Director and Chief Executive Officer (CEO)                    |
| Vice Chairman | Carlo Vivaldi <sup>1</sup> | Executive Director and Deputy CEO                                       |
| Member        | Wolfgang Schilk            | Assistant General Manager - Risk Management (CRO)                       |
| Member        | Marco Iannaccone           | Assistant General Manager - Financial Planning and Administration (CFO) |
| Member        | Feza Tan                   | Assistant General Manager - Corporate and Commercial Banking            |
| Member        | Z. Nazan Somer Özelgin     | Assistant General Manager - Retail Banking                              |
| Member        | Mert Yazıcıoğlu            | Assistant General Manager - Private Banking and Wealth Management       |
| Member        | S. Cihangir Kavuncu        | Assistant General Manager - Human Resources and Organization            |
| Member        | A. Cahit Erdoğan           | Assistant General Manager - Information Technologies and Operations     |
| Member        | Mert Öncü                  | Assistant General Manager - Treasury and Financial Institutions         |

(1) Based on the decision of the Board of Directors dated 19 January 2015, Niccolò Ubertalli (in place of Carlo Vivaldi) was appointed as Vice Chairman of the Executive Committee, effective as of 16 February 2015

#### Credit Committee

The Credit Committee is an advisory and deliberative body whose purpose is to provide guidelines for the Bank's lending activity in coherence with credit policy, economic objectives and the Bank's overall risk profile. All decisions of the Committee are taken unanimously and can only be implemented after the approval of the Board of Directors if taken by majority. In 2014, the Credit Committee convened 47 times with the required majority and the quorum satisfied. The Committee reviews loan applications and restructuring requests within its authorised delegated limit or advises the Board of Directors for those that are not. Credit Committee also outlines parameters for credit scoring, lending and monitoring systems.

**Credit Committee Principal Members**

|               |                                |  |
|---------------|--------------------------------|--|
| Chairman      | H. Faik Açıkalın               | Executive Director and Chief Executive Officer (CEO) |
| Vice Chairman | Carlo Vivaldi <sup>2</sup>     | Executive Director and Deputy CEO                    |
| Member        | Gianni F. G. Papa <sup>2</sup> | Vice Chairman of the Board of Directors              |
| Member        | F. Füsün Akkal Bozok           | Member of the Board of Directors                     |
| Member        | Dr. Jürgen Kullnigg            | Member of the Board of Directors                     |

**Credit Committee Alternate Members**

|                  |                             |                                  |
|------------------|-----------------------------|----------------------------------|
| Alternate Member | Laura S. Penna <sup>2</sup> | Member of the Board of Directors |
| Alternate Member | Francesco Giordano          | Member of the Board of Directors |

(2) Based on the decision of the Board of Directors dated 19 January 2015, Niccolò Ubertalli (in place of Carlo Vivaldi) was appointed as Vice Chairman of the Credit Committee and Carlo Vivaldi (in place of Gianni F. G. Papa) as Member of the Committee and Gianni F. G. Papa (in place of Laura S. Penna) as Alternate Member of the Committee, effective as of 16 February 2015

**Audit Committee**

The Audit Committee administers the Bank in terms of compliance with local laws and internal regulations. The Committee convenes quarterly or more, according to the needs of the Bank. In 2014, the Audit Committee convened 4 times with the required majority and the quorum satisfied. The Committee reports at least once every six months to the Board of Directors. The Committee's responsibilities include:

- monitoring the performance of Internal Audit, Compliance and Internal Control as well as Risk Management departments
- fulfilling the relevant tasks as determined by Banking and Capital Market regulations
- approving and monitoring the Annual Audit Plan and the charter of the internal audit function
- verifying adequacy of internal control systems
- monitoring audit projects and evaluating significant findings
- appointing, compensating and overseeing external auditor, rating, valuation and support service institutions
- monitoring the financial reporting process
- reviewing procurement policies and practices

**Audit Committee Members**

|          |                      |  |
|----------|----------------------|--|
| Chairman | Gianni F. G. Papa    | Vice Chairman of the Board of Directors      |
| Member   | F. Füsün Akkal Bozok | Member of the Board of Directors             |
| Member   | Francesco Giordano   | Member of the Board of Directors             |
| Member   | Benedetta Navarra    | Independent Member of the Board of Directors |
| Member   | Adil G. Öztoprak     | Independent Member of the Board of Directors |

**Corporate Governance Committee**

The Corporate Governance Committee is an advisory body that assists the Board of Directors on compliance to Corporate Governance Principles, investor relations activities and public disclosures. The Committee is responsible for identifying and providing guidance for any conflicts of interest that may arise. The Committee confirms that proper flow of information is ensured by the Koç Financial Services, Subsidiaries and Shareholder Relations Unit to shareholders and investors. All decisions of the Committee are taken unanimously and can only be implemented after the approval of the Board of Directors if taken by majority. In 2014, the Corporate Governance Committee convened 2 times with the required majority and the quorum satisfied.

**Corporate Governance Committee Members**

|        |                                |   |
|--------|--------------------------------|---|
| Member | Gianni F. G. Papa <sup>3</sup> | Vice Chairman of the Board of Directors                                 |
| Member | O. Turgay Durak                | Member of the Board of Directors  |
| Member | M. Erkan Özdemir               | Assistant General Manager - Compliance and Internal Control             |
| Member | Marco Iannaccone               | Assistant General Manager - Financial Planning and Administration (CFO) |

(3) Based on the decision of the Board of Directors dated 19 January 2015, Carlo Vivaldi (in place of Gianni F. G. Papa) was appointed as Member of the Corporate Governance Committee, effective as of 16 February 2015

**Remuneration Committee**

The Remuneration Committee monitors and audits compliance of the Bank's compensation principles and remuneration practices with its structure, strategies, long-term targets and risk approach on behalf of the Board of Directors. The Committee convenes at least twice a year or according to the needs of the Bank. In 2014, Remuneration Committee convened 2 times with the required majority and the quorum satisfied.

**Remuneration Committee Members**

|        |                                |   |
|--------|--------------------------------|---|
| Member | Gianni F. G. Papa <sup>4</sup> | Vice Chairman of the Board of Directors |
| Member | O. Turgay Durak                | Member of the Board of Directors        |

(4) Based on the decision of the Board of Directors dated 19 January 2015, Carlo Vivaldi (in place of Gianni F. G. Papa) was appointed as Member of the Remuneration Committee, effective as of 16 February 2015



#### 5.4. Risk Management and Internal Control Mechanism

Effective Internal Control Systems were established to monitor and control risks at branches and all related subsidiaries to ensure Bank's compliance to local laws and internal regulations. The Internal Control System, which is under the supervision of the Audit Committee, consists of Internal Audit, Compliance, Internal Control and Risk Management. Through the Manager of Internal Systems as well as the Audit Committee, these departments report to the Board of Directors as per the regulations.

#### 5.5. Strategic Goals of the Company

Strategic objectives of the Bank are annually reviewed by the Board of Directors. The Bank's annual budget is approved by the Board of Directors. At each Board of Directors' meeting during the year, the Bank's overall performance is reviewed and compared with the monthly targets. On a quarterly basis, key performance indicators and growth of the Bank compared to the sector are analysed in detail by the Board of Directors.

#### 5.6. Financial Benefits

In 2014, TL 34,914 thousand (Group: TL 40,723 thousand) was paid to the senior management of the Bank. Senior management and other employees receive salaries and performance-based payments according to the principles in the Bank's Remuneration Policy. Performance-based payments are subject to achievement of the Bank's quantitative and qualitative targets as declared on the Remuneration Policy.

The Remuneration Policy for the Board of Directors, senior management and employees was submitted to the attention of shareholders 3 weeks prior to the Annual Shareholders' Meeting held on 27 March 2014 via the Annual Shareholders' Meeting Disclosure Note, at the Bank's Head Office and branches, on the Bank's website ([www.yapikredi.com.tr](http://www.yapikredi.com.tr)), through KAP and the Electronic General Meeting System of the MKK. This policy was then approved at the Annual Shareholders' Meeting. This policy, as disclosed publicly through the Bank's website, will be included on the Agenda of the Annual Shareholders' Meeting to be held on 25 March 2015 where 2014 activities will be discussed. Thus, it will be submitted to the opinion of shareholders. Remunerations made to the Members of the Board of Directors and to senior managers are collectively and publicly disclosed in the footnotes of the financial statements in parallel with the general practice.

Members of the Board of Directors and senior management are allowed to utilise loans from the Bank within the guidelines specified on Article 50 of the Banking Law.

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## Transactions Carried out with the Risk Group

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Transactions with the risk group are carried out at arms-length and under market conditions in compliance with the Banking Law. In 2014, all related party transactions were undertaken within regulatory limits.

Necessary explanations regarding transactions made by Yapı Kredi with related parties can be found in Section 5 Note VIII of the publicly announced Consolidated Financial Report as of 31 December 2014.

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## Affiliated Company Report

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According to Article 199 of the Turkish Commercial Code No.6102, which came into effect in July 2012, Yapı Kredi's Board of Directors are liable to prepare a report regarding relations with the controlling company and its affiliated companies, within the first three months of the relevant operating year and to indicate the conclusion part of mentioned report in its annual report. Necessary explanations regarding transactions made by Yapı Kredi with related parties can be found in Section 5 Note VIII of the publicly announced Consolidated Financial Report.

In the report prepared by Yapı Kredi's Board of Directors on 5 March 2014, it states; "It is concluded that in all transactions made by Yapı Kredi with the controlling company and the companies affiliated to the controlling company in 2014, according to situations and conditions known to us and prevailing at the time the related transaction was made or related measure were taken or refrained from being taken, an appropriate consideration for each transaction has been provided and there is no measure taken or refrained from being taken, which may cause the company to suffer losses and that in this context, there is no transaction or measure which may require balancing.



Part III

# **Financial Information and Risk Management**

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# Audit Committee's Assessment on Internal Audit, Internal Control and Risk Management Systems

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## Internal Audit

Yapı Kredi's internal audit approach includes regular, process, investigation and follow-up audits. The risks detected during audits are submitted to senior management via audit reports. In addition, the effectiveness and adequacy of management procedures and business processes are evaluated from a risk oriented perspective. In 2014, parallel to the annual target, 57 Head Office process audits (exceeding the annual target by 2 audits) and 90 subsidiary process audits (exceeding the annual target by 14 audits) were performed. Moreover, 633 regular/spot branch audits (exceeding the annual target by 3 audits), 70 follow-up branch audits, 77 Bank and 4 subsidiary investigations/inquiries were completed.

The Annual Audit Certification Program, launched in 2010 in order to train auditors, continued in 2014 in collaboration with Boğaziçi University and the Turkish Institute of Internal Auditors (TIDE). The Program received the Internal Audit Awareness award by TIDE in 2012, 2013 and 2014 for its contribution to the audit profession.

At Yapı Kredi, regular and process audits are determined based on an Annual Audit Plan and submitted to the Board of Directors and shareholders for approval via the Audit Committee. The Annual Audit Plan is prepared following meetings with senior management to assess each unit's risk priorities and follow-up corrective actions on previously identified risks. In addition, internal audit findings are submitted to the Board of Directors at least 4 times a year via the Audit Committee.

In 2014, the execution of the Management Assertion study requested by the Banking Regulation and Supervision Agency (BRSA) continued. In this context, banking processes and general IT controls were performed by Internal Audit in addition to support services companies' on-site audits within the Management Assertion framework. The test results were reviewed by the Audit Committee and presented to the Board of Directors.

## Internal Control

Internal Control activities are carried out by 69 employees under the governance of the Audit Committee. Daily, weekly, monthly and periodic on-site/remote controls are performed in identified areas pursuant to BRSA regulation. Findings are rapidly reported to related managements and employees to ensure necessary improvements. In 2014, following a risk evaluation, 495 branches were chosen and on-site audits were performed at the branches in addition to remote controls performed at the Head Office. Follow-up controls for 34 branches were also performed as a result of on-site control results. In 2014, Internal Control activities continued for 8 subsidiaries.

## Risk Management

Yapı Kredi's risk management activities are carried out by 58 employees under the Audit Committee's governance with an objective to measure, monitor, report and mitigate risks which the Bank may be exposed to. Risk Management is divided into 3 sub-departments; credit, operational and market risk.

In 2014, the Credit Policy Directive, which reflects the Bank's strategy in regards to asset quality, effective risk management and compliance with legal practices, was updated. Additionally:

- Regular upgrade/enhancement projects for the rating/scoring systems continued
- Validation activities were performed in parallel to modelling activities
- A new methodology based on the performance of branch managers was introduced to define authority levels of retail branches serving SME clients
- Economic Capital started to be calculated periodically for the credit portfolio in line with the Group methodology
- Customer-specific limit management for consumer loans was initiated

## Operational & Reputational Risk

Yapı Kredi's main objective in operational risk is to identify, measure and mitigate operational and reputational risks at Bank and subsidiary level. Policies are reviewed on a yearly basis, updated if necessary and submitted to the Board of Directors for approval. Operational and reputational risk also coordinates the Bank's compliance to the Basel-II advanced measurement approach. In this regard, the Bank's operational risk losses and key risk indicators are monitored. Furthermore, scenario analyses are performed and risk-based insurance management activities are undertaken to mitigate risk. On a yearly basis, risk assessment of support services and new product risk assessment is carried out and a risk map of information technologies is prepared. Activities in operational risk and business continuity are submitted to the Board of Directors on a quarterly basis via the Audit Committee.

## Market Risk

Market risk management activities at Yapı Kredi focus on measuring the effect of risks arising from volatility in prices, interest rates and currency from financial markets on the Bank's balance sheet and liquidity position. Market risk activities also comprise preparation of market risk reports for regulatory authorities and implementation of advanced measurement techniques under Basel-II and Basel III frameworks. Risk measurements, utilising advanced techniques and daily limit-risk controls are performed and various scenario analysis and stress tests are applied within this scope. Results of all calculations and analyses are presented on a daily and monthly basis to senior management and the Board of Directors via the Audit Committee.

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# Risk Management Policies

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Yapı Kredi's risk management policies entail the full commitment of all employees. In coherence with this directive, any breach of limit or policy is reported to management and the Executive Committee in a timely manner.

## Credit Risk

The Credit Policy Directive, which reflects the Bank's risk appetite, is updated annually and becomes operational following approval by the Board of Directors. The Credit Policy Directive in effect is based on improving asset quality, supporting effective risk management and complying with legal practices. In addition, it includes management of all lending activities according to the Bank's common standards, limitations and principles.

The main purpose of the credit risk policy is to identify, measure and mitigate credit risk, react in a timely manner and take necessary actions with the help of efficient and well-functioning rating/scoring models, strategies and processes. The main strategies include:

- Effective implementation of the Credit Policy Directive to reinforce the common risk management approach
- Steering of the loan portfolio toward less risky sectors
- Avoidance of excessive concentration in Group exposures while strictly obeying statutory limits
- Focus on customers with better credit ratings
- Avoidance of transactions bearing high credit and reputational risk
- Undertaking preventative actions against new defaults in consumer and SME loans
- Timely updates to senior management about all developments in credit risk area to ensure effective credit risk management
- Redesign of limit management strategies in retail loans
- Ensuring sustainability in collections
- Managing credit process harmonisation among legal entities
- Performing credit stress tests
- Participating in credit risk regulatory processes

## Operational & Reputational Risk

Operational risk policies approved in 2014 cover groupwide principles and standards regarding responsibilities of the operational risk unit and management; strategy, policy and investments for control and management of operational and information technologies risk; frequency, content and recipients of operational and information risk reports. Business Continuity Management Policy is formed to minimise risks that might endanger the continuity of the Bank's activities and ensure recovery of critical services/products in the desired time span in case of disruption. This Business Continuity Management Policy is regularly updated and approved by the Board of Directors. Moreover, a Reputational Risk Management Policy has been put into effect since 2013 to define the set of principles and procedures to control, measure and mitigate the Group's reputational risks.

## Market Risk

Yapı Kredi, within market risk framework, monitors the limits defined by risk management policies, measures the effect of fluctuations in interest rates, foreign exchange rates and equity prices on the Bank's trading portfolio and reports the results to senior management. Besides, market risk sets risk appetite limits for banking portfolio as well to manage interest rate sensitivity in the balance sheet and monitors the compliance of risk exposures within the pre-defined limits. Expectations, limits and risks exposed are defined in detail and in line with market risk policies in the budget process every year. Market risk policies include the risk limits set according to the budget and the measurement methods utilised. Functions and authorisation of related units and committees are also described in the policies. The Executive Committee plays an active role in the market risk management process.

## 2014 Financial Review

Based on Banking Regulation and Supervision Agency (BRSA) consolidated financial results dated 31 December 2014, Yapı Kredi recorded a net income of TL 2,056 million and return on average tangible equity of 12.0%. At the same time, total assets increased by 22% annually to TL 195 billion. In 2014, Yapı Kredi further accelerated its contribution to the financing of the Turkish economy. Accordingly, total cash and non-cash loan volume increased by 27% annually to TL 174.3 billion and Yapı Kredi increased its ranking by 1 notch to 3<sup>rd</sup> place among private banks in Turkey.

In 2014, total loan book reached TL 125.5 billion with 26% annual growth compared to sector growth of 18%. Accordingly, the Bank increased its market share in cash loans by 70 basis points to 10.2%. Remixing of loan book continued towards more profitable segments including TL company (+50% annually), general purpose loans (+46%) and SME loans (+49%). Leadership in credit cards was also maintained. During the same period, total deposit book reached TL 107.6 billion with 22% annual growth, more than twice the sector growth of 10%. This resulted in a gain of 90 basis points in total deposit market share to 10.0%. Loans to assets ratio increased to 64%, one of the highest levels in the sector while securities to assets ratio declined to 13%, one of the lowest levels in the sector.

In terms of liquidity, through balanced volume growth, the Bank's loans to deposit ratio including TL bonds was realised at 112% with only 4 percentage points increase annually, compared to 8 percentage points increase in the sector. In 2014, Yapı Kredi also focused on funding diversification and raised a total of US\$ 5.7 billion through syndications, securitisations, bond issuances and other financial instruments.

In terms of capital, Yapı Kredi was able to maintain a capital adequacy ratio of 15.0% incorporating strong loan growth.

Revenues increased by 9% annually to TL 8,754 million supported by solid NIM evolution and accelerating fee growth. Cumulative NIM was realised as 3.5% with a limited contraction of 10 basis points compared to 20 basis points decrease in the sector, confirming Yapı Kredi's effective pricing capability. Fees increased by 10% annually despite impact of regulation. Cost growth of 17% annually reflected the growth initiatives in 2014 with continued discipline in ordinary cost management. Cost to income ratio was realised at 47%.

In terms of asset quality, evolution was better than sector with NPL ratio decreasing by 10 basis points annually to 3.4% compared to 20 basis points increase in the sector, supported by resilient performance in all segments.

In line with its growth strategy throughout the year, Yapı Kredi increased its customer base by around 600 thousand which indicates a 2.7 times acceleration in customer acquisition compared to previous years. Accordingly, total number of customers reached 10.6 million. As of the end of 2014, the Bank has over 18,500 employees, more than 1,000 branches covering all regions of Turkey, 3,606 ATMs, innovative internet banking, leading mobile banking and 3 award winning call centers. During the year, 83% of all banking transactions were handled through alternative delivery channels.

In 2014, total administrative fines enforced on the Bank by the regulatory and supervisory authorities were TL 3.1 million.

## Five Year Summary Financials

|                                | 2010   | 2011    | 2012    | 2013                 | 2014    |
|--------------------------------|--------|---------|---------|----------------------|---------|
| Total Assets                   | 92,814 | 117,450 | 131,498 | 160,310              | 194,959 |
| Cash + Non-Cash Loans          | 56,599 | 95,699  | 106,457 | 137,524              | 174,291 |
| Loans                          | 54,243 | 69,326  | 77,813  | 99,436               | 125,534 |
| Deposits                       | 55,207 | 66,187  | 71,143  | 88,482               | 107,631 |
| Shareholders' Equity           | 10,746 | 12,635  | 16,040  | 18,286               | 20,214  |
| Net Income/(Loss)              | 2,255  | 2,291   | 2,098   | 2,375 <sup>(1)</sup> | 2,056   |
| Capital Adequacy Ratio (Group) | 15.4%  | 14.9%   | 15.2%   | 15.3%                | 14.4%   |
| Capital Adequacy Ratio (Bank)  | 16.1%  | 14.7%   | 16.3%   | 16.0%                | 15.0%   |
| Number of Branches (Group)     | 927    | 964     | 958     | 988                  | 1,042   |
| Number of Branches (Bank)      | 868    | 907     | 928     | 949                  | 1,003   |
| Number of Employees (Group)    | 16,821 | 17,350  | 15,661  | 16,682               | 18,535  |
| Number of Employees (Bank)     | 14,411 | 14,859  | 14,733  | 15,683               | 17,457  |

(1) 2013 net income excludes TL 1.3 billion capital gain from the sale of Yapı Kredi insurance. Net Income including the sale is TL 3,659 million

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## Credit Ratings

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Yapı Kredi's credit ratings which are given by international credit rating agencies Fitch, Moody's and Standard & Poor's are listed below. Ratings given by Fitch and Moody's represent investment grade.

| Fitch                       | Rating   | Outlook  |
|-----------------------------|----------|----------|
| Long Term Foreign Currency  | BBB      | Negative |
| Long Term Local Currency    | BBB      | Negative |
| Short Term Foreign Currency | F3       |          |
| Short Term Local Currency   | F3       |          |
| Viability Rating            | bbb-     |          |
| Support Rating              | 2        |          |
| National Long Term          | AAA(tur) | Negative |
| Senior Unsecured Debt       | BBB      |          |

| Standard & Poor's           | Rating | Outlook  |
|-----------------------------|--------|----------|
| Long Term Foreign Currency  | BB+    | Negative |
| Long Term Local Currency    | BB+    | Negative |
| Short Term Foreign Currency | B      |          |
| Short Term Local Currency   | B      |          |
| National Long Term          | trAA+  |          |
| National Short Term         | trA-1  |          |
| Senior Unsecured Debt       | BB+    |          |

| Moody's                             | Rating  | Outlook  |
|-------------------------------------|---------|----------|
| Long Term Foreign Currency Deposit  | Baa3    | Negative |
| Long Term Local Currency Deposit    | Baa3    | Negative |
| Short Term Foreign Currency Deposit | Prime-3 |          |
| Short Term Local Currency Deposit   | Prime-3 |          |
| Financial Strength Rating           | D+      | Negative |
| National Scale Rating               | A1.tr   | Negative |
| Senior Unsecured Debt               | Ba2     | Negative |

(Convenience translation of the independent auditor's report originally issued in Turkish, See Note I. of Section three)

#### **Independent audit report**

##### **To the Board of Directors of Yapı ve Kredi Bankası A.Ş.:**

We have audited the accompanying unconsolidated balance sheet of Yapı ve Kredi Bankası A.Ş. ("the Bank") as at December 31, 2014, and the related unconsolidated income statement, unconsolidated statement of income and expense items accounted under shareholders' equity, unconsolidated statement of cash flows and unconsolidated statement of changes in shareholders' equity for the year then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

##### **Responsibility of the Bank's Board of Directors for the financial statements:**

The Board of Directors of the Bank is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents" published in the Official Gazette dated November 1, 2006 and numbered 26333 and Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting made by the Banking Regulation and Supervision Agency. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error and selecting and applying appropriate accounting policies.

##### **Auditor's responsibility:**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the "Regulation on Authorization and Activities of Institutions to Conduct Independent Audit in Banks" published in the Official Gazette dated November 1, 2006 and numbered 26333 and the International Standards on Auditing. We planned and performed our audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the consideration of the effectiveness of internal control and appropriateness of accounting policies applied relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

##### **Independent auditor's opinion:**

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of Yapı ve Kredi Bankası A.Ş. as at December 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per Article 37 of the Banking Act No: 5411, and other regulations, communiqués, circulars and pronouncements made by the Banking Regulation and Supervision Agency in respect of accounting and financial reporting.

##### **Additional paragraph for convenience translation to English:**

As explained in detail in Note I. of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with Article 37 of the Banking Act No: 5411, accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst & Young Global Limited



Ehem Kutucular, SMMM  
Partner

İstanbul, February 2, 2015

Convenience translation of publicly announced unconsolidated year end financial statements and independent auditor's report originally issued in Turkish, See Note I. of Section three







E-Mail: financialreports@yapikredi.com.tr

**The unconsolidated year end financial report of  
Yapı ve Kredi Bankası A.Ş. as of December 31, 2014**

The unconsolidated financial report for the year end which is prepared in accordance with the "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" as regulated by the Banking Regulation and Supervision Agency includes the following sections.

- **Section one** - General information about the Bank
- **Section two** - Unconsolidated financial statements of the Bank
- **Section three** - Explanations on accounting policies applied in the related period
- **Section four** - Information related to financial position of the Bank
- **Section five** - Explanations and notes related to unconsolidated financial statements
- **Section six** - Other explanations
- **Section seven** - Independent auditor's report

The accompanying unconsolidated financial statements for the year end and notes to these financial statements which are expressed, (unless otherwise stated) in **thousands of Turkish Lira**, have been presented based on the accounting books of the Bank prepared in accordance with the Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations of these, and have been reviewed.

|  |   |   |  |
|--|---|---|--|
| <br><b>Mustafa V. KOÇ</b><br>Chairman of the<br>Board of Directors | <br><b>H. Faik AÇIKALIN</b><br>Chief Executive Officer      | <br><b>Marco IANNACCONE</b><br>Chief Financial Officer         | <br><b>B. Seda KIZLER</b><br>Head of Financial<br>Reporting and Accounting<br>Executive Vice President |
| <br><b>Gianni F.G. PAPA</b><br>Chairman of Audit Committee        | <br><b>Francesco GIORDANO</b><br>Member of Audit Committee | <br><b>F. Füsün Akkal BOZOK</b><br>Member of Audit Committee |  |
| <br><b>Benedetta NAVARRA</b><br>Member of Audit Committee         | <br><b>Adil G. ÖZTOPRAK</b><br>Member of Audit Committee  |   |  |

Contact information of the personnel in charge of the addressing of questions about this financial report:

**Name-Surname / Title** : Aysel Taktak / Regulatory Reporting Manager  
**Telephone Number** : 0212 339 63 29  
**Fax Number** : 0212 339 61 05

|  |   |     |
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**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of December 31, 2014**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**Section One: General Information**

**I. History of the Bank including its incorporation date, initial legal status and amendments to legal status, if any:**

Yapı ve Kredi Bankası A.Ş. ("the Bank" or "Yapı Kredi"), was established and started operations on September 9, 1944 with the permission of the Council of Ministers No. 3/6710 as a private capital commercial bank authorised to perform all banking, economic, financial and commercial activities which are allowed by the laws of the Turkish Republic. The statute of the Bank has not changed since its incorporation.

**II. Explanations about the Bank's capital structure, shareholders holding directly or indirectly, collectively or individually, the management and controlling power and changes in current year, if any and explanations on the controlling group of the Bank:**

The Bank's publicly traded shares are traded on the Borsa İstanbul ("BIST") since 1987 and the representatives of these shares, Global Depository Receipts, are quoted at the London Stock Exchange. As of December 31, 2014, 18,20% of the shares of the Bank are publicly traded (December 31, 2013 - 18,20%). The remaining 81,80% is owned by Koç Finansal Hizmetler A.Ş. ("KFS"), a joint venture of UniCredit ("UCG") and Koç Group.

KFS was established on March 16, 2001 to combine Koç Group finance companies under one organization and it became the main shareholder of Koçbank in 2002. On October 22, 2002, Koç Group established a strategic partnership with UCG over KFS.

In 2005, the Bank's shares that were owned by Çukurova Group Companies and the Saving Deposits Insurance Fund ("SDIF") were purchased by Koçbank. In 2006, Koçbank purchased additional shares of the Bank from BIST and an investment fund and, during the same year, all rights, receivables, debts and liabilities of Koçbank were transferred to the Bank pursuant the merger of the two banks. As a result of the merger and the share transfer procedures in 2007 and of a capital increase by TL 920 million in 2008, KFS shares in the Bank increased to 81,80%.

**III. Explanations regarding the board of directors, members of the audit committee, Chief Executive Officer and executive vice presidents, and their areas of responsibility and shares if any:**

As of December 31, 2014, the Bank's Board of Directors, Members of the Audit Committee, General Manager and Assistant General Managers are as follows:

Board of Directors Members:

| Name                                | Responsibility          |
|-------------------------------------|-------------------------|
| Mustafa V. KOÇ                      | Chairman                |
| Gianni F.G. PAPA <sup>(1)</sup>     | Vice Chairman           |
| H. Faik AÇIKALIN                    | Chief Executive Officer |
| Carlo VIVALDI <sup>(1)</sup>        | Deputy General Manager  |
| Adil Giray ÖZTOPRAK                 | Member                  |
| Ahmet Fadıl ASHABOĞLU               | Member                  |
| Benedetta NAVARRA                   | Member                  |
| Francesco GIORDANO                  | Member                  |
| F. Füsün Akkal BOZOK                | Member                  |
| Jürgen Dr. KULLNIGG                 | Member                  |
| Laura Stefania PENNA <sup>(1)</sup> | Member                  |
| Osman Turgay DURAK                  | Member                  |

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of December 31, 2014 (continued)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**General information (continued)**

Audit Committee Members:

| Name                            | Responsibility |
|---------------------------------|----------------|
| Gianni F.G. PAPA <sup>(1)</sup> | Chairman       |
| Adil Giray ÖZTOPRAK             | Member         |
| Benedetta NAVARRA               | Member         |
| Francesco GIORDANO              | Member         |
| F. Füsün Akkal BOZOK            | Member         |

General Manager and Deputy General Manager:

| Name                         | Responsibility          |
|------------------------------|-------------------------|
| H. Faik AÇIKALIN             | Chief Executive Officer |
| Carlo VIVALDI <sup>(1)</sup> | Deputy General Manager  |

Assistant General Managers:

| Name                       | Responsibility  |
|----------------------------|---|
| Akif Cahit ERDOĞAN         | Information Technologies and Operation Management                         |
| Cemal Aybars SANAL         | Legal Activities Management   |
| Feza TAN                   | Corporate and Commercial Banking Management                               |
| Marco IANNACCONE           | Financial Planning and Administration Management                          |
| Mehmet Erkan ÖZDEMİR       | Compliance and Internal Control / Consumer Relations Coordination Officer |
| Mehmet Gökmen UÇAR         | Retail Credits Management   |
| Mehmet Murat ERMERT        | Corporate Communication Management  |
| Mert ÖNCÜ                  | Treasury Management   |
| Mert YAZICIOĞLU            | Private Banking and Asset Management                                      |
| Nurgün EYÜBOĞLU            | Corporate and Commercial Credit Management                                |
| Stefano PERAZZINI          | Internal Audit / Chief Audit Executive                                    |
| Süleyman Cihangir KAVUNCU  | Human Resources and Organization Management                               |
| Wolfgang SCHILK            | Risk Management   |
| Yakup DOĞAN                | Alternative Distribution Channels   |
| Zeynep Nazan SOMER ÖZELGİN | Retail Banking Management   |

(1) According to the decisions taken in the Board of Directors Meeting held on January 19, 2015, it was decided to;

- end Vice Chairman of the Board role of Gianni F. G. Papa and appoint him as Board Member effective from February 16, 2015,
- end Executive Board Member role of Carlo Vivaldi and appoint as Vice Chairman of the Board effective from February 16, 2015,
- appoint Niccolò Ubertalli as Executive Board Member, subject to approval of the first General Assembly of the Bank, instead of Laura Stefanie Penna who has resigned her position as Board Member effective from February 16, 2015,
- apply to BRSA in order to appoint Niccolò Ubertalli as Deputy General Manager of the Bank, instead of Carlo Vivaldi who is going to leave his position as Deputy General Manager, effective from February 16, 2015.

**IV. Information on the individual and corporate shareholders having control shares of the Bank:**

| Name/Commercial title       | Share amounts<br>(nominal) | Share<br>percentage | Paid-in capital<br>(nominal) | Unpaid<br>portion |
|-----------------------------|----------------------------|---------------------|------------------------------|-------------------|
| Koç Finansal Hizmetler A.Ş. | 3.555.712.396,07           | 81,80%              | 3.555.712.396,07             | -                 |

Koç Finansal Hizmetler A.Ş. is a joint venture of Koç Group, UniCredit Group and Temel Ticaret ve Yatırım A.Ş..

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of December 31, 2014 (continued)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**General information (continued)**

**V. Summary information on the Bank's activities and service types:**

The Bank's activities summarized in the section 3 of the articles of association are as follows.

The Bank's purpose and subject matter, in accordance with the Banking Law, regulations and existing laws, include;

- The execution of all banking activities,
- The execution of all economic and financial activities which are allowed by the regulation,
- The execution of the representation, attorney and agency activities related to the subjects written above,
- The purchase and sale of share certificates, bonds and all the capital market instruments, in accordance with Capital Market Law and regulations.

In case of necessity for performing activities which are useful and required but that are not specified in the articles of association, a Board of Directors' proposal is to be presented to the General Assembly. With the approval of the General Assembly the proposal becomes applicable, subject to the approvals required by law.

As of December 31, 2014, the Bank has 1002 branches operating in Turkey and 1 branch in overseas (December 31, 2013 - 948 branches operating in Turkey, 1 branch in overseas). As of December 31, 2014, the Bank has 17.457 employees (December 31, 2013 - 15.683 employees).

The accompanying unconsolidated financial statements and notes to these financial statements are expressed in thousands of Turkish Lira (TL), unless otherwise stated.

**VI. Differences between the communiqué on preparation of consolidated financial statements of Banks and Turkish Accounting Standards and short explanation about the entities subject to full consolidation or proportional consolidation and entities which are deducted from equity or entities which are not included in these three methods:**

According to Communiqué of the Preparation Consolidated Financial Statements and Turkish Accounting Standards, Banque de Commerce et de Placements SA, one of the associates of the Bank, and Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı, an entity under common control, are consolidated through "Equity Method" in the consolidated financial statements of the Group. Allianz Yaşam ve Emeklilik A.Ş., on which the Bank has indirect participation, is also consolidated through "Equity Method" in the consolidated financial statements of the Group. These entities are taken into account as a deduction item in shareholders' equity for the purpose of calculation of capital adequacy ratio.

Yapı Kredi Kültür Sanat Yayıncılık Tic. ve San. A.Ş., and Enternasyonel Turizm Yatırım A.Ş., which are subsidiaries of the Bank, are not consolidated into the Bank's consolidated financial statements in accordance with Communiqué of Preparation of Consolidated Financial Statements since these entities are not financial institutions.

All other subsidiaries are fully consolidated.

Yapı Kredi Bank Malta Ltd (Yapı Kredi Malta) has been effectively established as a subsidiary of Yapı Kredi Holding BV, which is fully owned and controlled by the Bank, after the receipt of an approval from Maltese legal authority on October 23, 2014, on the top of other approvals of BRSA and decisions taken by the Board of the Bank. Yapı Kredi Malta is fully consolidated in the consolidated financial statements of the Bank.

**VII. The existing or potential, actual or legal obstacles on the immediate transfer of shareholder's equity between the Bank and its subsidiaries or reimbursement of liabilities:**

None.

**Yapı ve Kredi Bankası A.Ş.****Unconsolidated financial statements as of December 31, 2014 and 2013**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**Section two: Unconsolidated financial statements****I. Balance sheet (Statement of Financial Position)**

|   |                           | Current Period     |                   |                    | Prior Period      |                   |                    |
|---|---------------------------|--------------------|-------------------|--------------------|-------------------|-------------------|--------------------|
|   |                           | (31/12/2014)       |                   |                    | (31/12/2013)      |                   |                    |
| Assets  | Note<br>(Section<br>Five) | TL                 | FC                | Total              | TL                | FC                | Total              |
| <b>Cash and balances with Central Bank</b>  |                           |                    |                   |                    |                   |                   |                    |
| <b>I.</b>   | <b>I-a</b>                | <b>2.990.664</b>   | <b>19.978.224</b> | <b>22.968.888</b>  | <b>1.330.472</b>  | <b>17.446.710</b> | <b>18.777.182</b>  |
| <b>II. Financial assets at fair value through profit or (loss) (net)</b>          | <b>I-b</b>                | <b>1.050.556</b>   | <b>146.460</b>    | <b>1.197.016</b>   | <b>1.535.234</b>  | <b>130.008</b>    | <b>1.665.242</b>   |
| 2.1 Trading financial assets  |                           | 1.050.556          | 146.460           | 1.197.016          | 1.535.234         | 130.008           | 1.665.242          |
| 2.1.1 Government debt securities  |                           | 69.529             | 25.622            | 95.151             | 11.000            | 24.519            | 35.519             |
| 2.1.2 Share certificates  |                           | -                  | -                 | -                  | -                 | -                 | -                  |
| 2.1.3 Derivative financial assets held for trading                                | I-c                       | 981.027            | 120.838           | 1.101.865          | 1.524.234         | 104.294           | 1.628.528          |
| 2.1.4 Other marketable securities   |                           | -                  | -                 | -                  | -                 | 1.195             | 1.195              |
| 2.2 Financial assets designated at fair value through profit/(loss)               |                           | -                  | -                 | -                  | -                 | -                 | -                  |
| 2.2.1 Government debt securities  |                           | -                  | -                 | -                  | -                 | -                 | -                  |
| 2.2.2 Share certificates  |                           | -                  | -                 | -                  | -                 | -                 | -                  |
| 2.2.3 Loans   |                           | -                  | -                 | -                  | -                 | -                 | -                  |
| 2.2.4 Other marketable securities   |                           | -                  | -                 | -                  | -                 | -                 | -                  |
| <b>III. Banks</b>   | <b>I-ç</b>                | <b>91.643</b>      | <b>2.303.705</b>  | <b>2.395.348</b>   | <b>506.372</b>    | <b>2.495.274</b>  | <b>3.001.646</b>   |
| <b>IV. Money markets</b>  |                           | <b>1.568.654</b>   | <b>-</b>          | <b>1.568.654</b>   | <b>2.851.375</b>  | <b>48.453</b>     | <b>2.899.828</b>   |
| 4.1 Interbank money market placements   |                           | -                  | -                 | -                  | -                 | -                 | -                  |
| 4.2 Receivables from Istanbul Stock Exchange Money Market                         |                           | 248.247            | -                 | 248.247            | 1.701.131         | 48.453            | 1.749.584          |
| 4.3 Receivables from reverse repurchase agreements                                |                           | 1.320.407          | -                 | 1.320.407          | 1.150.244         | -                 | 1.150.244          |
| <b>V. Financial assets available-for-sale (net)</b>                               | <b>I-d,e</b>              | <b>15.284.389</b>  | <b>3.301.769</b>  | <b>18.586.158</b>  | <b>9.254.920</b>  | <b>3.856.941</b>  | <b>13.111.861</b>  |
| 5.1 Share certificates  |                           | 5.760              | 220               | 5.980              | 5.760             | 229               | 5.989              |
| 5.2 Government debt securities  |                           | 13.892.754         | 2.359.950         | 16.252.704         | 7.853.497         | 3.383.608         | 11.237.105         |
| 5.3 Other marketable securities   |                           | 1.385.875          | 941.599           | 2.327.474          | 1.395.663         | 473.104           | 1.868.767          |
| <b>VI. Loans and receivables</b>  | <b>I-f</b>                | <b>83.936.124</b>  | <b>38.057.278</b> | <b>121.993.402</b> | <b>65.761.979</b> | <b>30.276.751</b> | <b>96.038.730</b>  |
| 6.1 Loans and receivables   |                           | 82.877.115         | 37.860.438        | 120.737.553        | 64.824.545        | 30.066.698        | 94.891.243         |
| 6.1.1 Loans to bank's risk group  |                           | 1.171.607          | 223.916           | 1.395.523          | 615.998           | 284.051           | 900.049            |
| 6.1.2 Government debt securities  |                           | -                  | -                 | -                  | -                 | -                 | -                  |
| 6.1.3 Other   |                           | 81.705.508         | 37.636.522        | 119.342.030        | 64.208.547        | 29.782.647        | 93.991.194         |
| 6.2 Loans under follow-up   |                           | 3.762.524          | 571.251           | 4.333.775          | 3.056.127         | 501.476           | 3.557.603          |
| 6.3 Specific provisions (-)   |                           | (2.703.515)        | (374.411)         | (3.077.926)        | (2.118.693)       | (291.423)         | (2.410.116)        |
| <b>VII. Factoring receivables</b>   |                           | <b>-</b>           | <b>-</b>          | <b>-</b>           | <b>-</b>          | <b>-</b>          | <b>-</b>           |
| <b>VIII. Held-to-maturity investments (net)</b>                                   | <b>I-g</b>                | <b>1.887.227</b>   | <b>3.131.822</b>  | <b>5.019.049</b>   | <b>3.526.884</b>  | <b>2.927.024</b>  | <b>6.453.908</b>   |
| 8.1 Government debt securities  |                           | 1.887.227          | 3.131.822         | 5.019.049          | 3.526.884         | 2.927.024         | 6.453.908          |
| 8.2 Other marketable securities   |                           | -                  | -                 | -                  | -                 | -                 | -                  |
| <b>IX. Investments in associates (net)</b>  | <b>I-ğ</b>                | <b>4.503</b>       | <b>43.404</b>     | <b>47.907</b>      | <b>4.503</b>      | <b>43.404</b>     | <b>47.907</b>      |
| 9.1 Consolidated based on equity method   |                           | -                  | -                 | -                  | -                 | -                 | -                  |
| 9.2 Unconsolidated  |                           | 4.503              | 43.404            | 47.907             | 4.503             | 43.404            | 47.907             |
| 9.2.1 Investments in financial associates   |                           | -                  | 43.404            | 43.404             | -                 | 43.404            | 43.404             |
| 9.2.2 Investments in non-financial associates                                     |                           | 4.503              | -                 | 4.503              | 4.503             | -                 | 4.503              |
| <b>X. Subsidiaries (net)</b>  | <b>I-h</b>                | <b>1.636.492</b>   | <b>800.358</b>    | <b>2.436.850</b>   | <b>1.825.790</b>  | <b>539.977</b>    | <b>2.365.767</b>   |
| 10.1 Unconsolidated financial subsidiaries  |                           | 1.634.192          | 800.358           | 2.434.550          | 1.823.490         | 539.977           | 2.363.467          |
| 10.2 Unconsolidated non-financial subsidiaries                                    |                           | 2.300              | -                 | 2.300              | 2.300             | -                 | 2.300              |
| <b>XI. Joint ventures (net)</b>   | <b>I-ı</b>                | <b>19.623</b>      | <b>-</b>          | <b>19.623</b>      | <b>19.623</b>     | <b>-</b>          | <b>19.623</b>      |
| 11.1 Accounted based on equity method   |                           | -                  | -                 | -                  | -                 | -                 | -                  |
| 11.2 Unconsolidated   |                           | 19.623             | -                 | 19.623             | 19.623            | -                 | 19.623             |
| 11.2.1 Financial joint ventures   |                           | 19.623             | -                 | 19.623             | 19.623            | -                 | 19.623             |
| 11.2.2 Non-financial joint ventures   |                           | -                  | -                 | -                  | -                 | -                 | -                  |
| <b>XII. Lease receivables</b>   | <b>I-ı</b>                | <b>-</b>           | <b>-</b>          | <b>-</b>           | <b>-</b>          | <b>-</b>          | <b>-</b>           |
| 12.1 Financial lease receivables  |                           | -                  | -                 | -                  | -                 | -                 | -                  |
| 12.2 Operating lease receivables  |                           | -                  | -                 | -                  | -                 | -                 | -                  |
| 12.3 Other  |                           | -                  | -                 | -                  | -                 | -                 | -                  |
| 12.4 Unearned income (-)  |                           | -                  | -                 | -                  | -                 | -                 | -                  |
| <b>XIII. Derivative financial assets held for hedging</b>                         | <b>I-j</b>                | <b>256.146</b>     | <b>-</b>          | <b>256.146</b>     | <b>462.819</b>    | <b>4.808</b>      | <b>467.627</b>     |
| 13.1 Fair value hedge   |                           | 177.895            | -                 | 177.895            | 307.375           | -                 | 307.375            |
| 13.2 Cash flow hedge  |                           | 78.251             | -                 | 78.251             | 155.444           | 4.808             | 160.252            |
| 13.3 Foreign net investment hedge   |                           | -                  | -                 | -                  | -                 | -                 | -                  |
| <b>XIV. Property and equipment (net)</b>  | <b>I-k</b>                | <b>1.050.993</b>   | <b>-</b>          | <b>1.050.993</b>   | <b>934.355</b>    | <b>-</b>          | <b>934.355</b>     |
| <b>XV. Intangible assets (net)</b>  | <b>I-l</b>                | <b>1.428.368</b>   | <b>-</b>          | <b>1.428.368</b>   | <b>1.376.092</b>  | <b>-</b>          | <b>1.376.092</b>   |
| 15.1 Goodwill   |                           | 979.493            | -                 | 979.493            | 979.493           | -                 | 979.493            |
| 15.2 Other  |                           | 448.875            | -                 | 448.875            | 396.599           | -                 | 396.599            |
| <b>XVI. Investment property (net)</b>   | <b>I-m</b>                | <b>-</b>           | <b>-</b>          | <b>-</b>           | <b>-</b>          | <b>-</b>          | <b>-</b>           |
| <b>XVII. Tax asset</b>  |                           | <b>93.959</b>      | <b>-</b>          | <b>93.959</b>      | <b>25.032</b>     | <b>-</b>          | <b>25.032</b>      |
| 17.1 Current tax asset  |                           | -                  | -                 | -                  | 7.407             | -                 | 7.407              |
| 17.2 Deferred tax asset   | I-n                       | 93.959             | -                 | 93.959             | 17.625            | -                 | 17.625             |
| <b>XVIII. Assets held for resale and related to discontinued operations (net)</b> | <b>I-o</b>                | <b>150.499</b>     | <b>-</b>          | <b>150.499</b>     | <b>151.396</b>    | <b>-</b>          | <b>151.396</b>     |
| 18.1 Held for sale purposes   |                           | 150.499            | -                 | 150.499            | 151.396           | -                 | 151.396            |
| 18.2 Related to discontinued operations   |                           | -                  | -                 | -                  | -                 | -                 | -                  |
| <b>XIX. Other assets</b>  | <b>I-ö</b>                | <b>1.027.377</b>   | <b>961.048</b>    | <b>1.988.425</b>   | <b>943.597</b>    | <b>601.519</b>    | <b>1.545.116</b>   |
| <b>Total assets</b>   |                           | <b>112.477.217</b> | <b>68.724.068</b> | <b>181.201.285</b> | <b>90.510.443</b> | <b>58.370.869</b> | <b>148.881.312</b> |

The accompanying explanations and notes form an integral part of these financial statements.

**Yapı ve Kredi Bankası A.Ş.****Unconsolidated financial statements as of December 31, 2014 and 2013**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**I. Balance sheet (Statement of Financial Position)**

|  |                     |             |            | Current Period |            |            | Prior Period |  |
|--|---------------------|-------------|------------|----------------|------------|------------|--------------|--|
|  |                     |             |            | (31/12/2014)   |            |            | (31/12/2013) |  |
| Liabilities  | note (Section Five) | TL          | FC         | Total          | TL         | FC         | Total        |  |
| I. Deposits  | II-a                | 64.175.925  | 40.944.414 | 105.120.339    | 44.303.269 | 42.004.358 | 86.307.627   |  |
| 1.1 Deposits of the Bank's risk group  |                     | 9.031.224   | 6.091.758  | 15.122.982     | 4.005.367  | 8.432.153  | 12.437.520   |  |
| 1.2 Other  |                     | 55.144.701  | 34.852.656 | 89.997.357     | 40.297.902 | 33.572.205 | 73.870.107   |  |
| II. Derivative financial liabilities held for trading  | II-b                | 698.894     | 96.636     | 795.530        | 755.244    | 88.312     | 843.556      |  |
| III. Funds borrowed  | II-c                | 862.557     | 17.259.016 | 18.121.573     | 1.087.491  | 15.340.417 | 16.427.908   |  |
| IV. Money markets  |                     | 3.834.659   | 2.365.914  | 6.200.573      | 249.162    | 3.143.784  | 3.392.946    |  |
| 4.1 Funds from interbank money market  |                     | -           | -          | -              | -          | -          | -            |  |
| 4.2 Funds from Istanbul Stock Exchange Money Market  |                     | -           | -          | -              | -          | -          | -            |  |
| 4.3 Funds provided under repurchase agreements   |                     | 3.834.659   | 2.365.914  | 6.200.573      | 249.162    | 3.143.784  | 3.392.946    |  |
| V. Marketable securities issued (net)  | II-ç                | 2.820.234   | 6.900.165  | 9.720.399      | 1.659.777  | 4.186.983  | 5.846.760    |  |
| 5.1 Bills  |                     | 1.638.373   | 1.712.209  | 3.350.582      | 1.165.920  | 827.050    | 1.992.970    |  |
| 5.2 Asset backed securities  |                     | -           | -          | -              | -          | -          | -            |  |
| 5.3 Bonds  |                     | 1.181.861   | 5.187.956  | 6.369.817      | 493.857    | 3.359.933  | 3.853.790    |  |
| VI. Funds  |                     | -           | -          | -              | -          | -          | -            |  |
| 6.1 Borrower funds   |                     | -           | -          | -              | -          | -          | -            |  |
| 6.2 Other  |                     | -           | -          | -              | -          | -          | -            |  |
| VII. Miscellaneous payables  |                     | 6.886.076   | 1.515.308  | 8.401.384      | 5.457.238  | 1.399.101  | 6.856.339    |  |
| VIII. Other liabilities  | II-d                | 1.342.786   | 1.543.834  | 2.886.620      | 1.145.831  | 722.667    | 1.868.498    |  |
| IX. Factoring payables   |                     | -           | -          | -              | -          | -          | -            |  |
| X. Lease payables (net)  | II-e                | -           | -          | -              | 288        | 477        | 765          |  |
| 10.1 Financial lease payables  |                     | -           | -          | -              | 310        | 486        | 796          |  |
| 10.2 Operational lease payables  |                     | -           | -          | -              | -          | -          | -            |  |
| 10.3 Other   |                     | -           | -          | -              | -          | -          | -            |  |
| 10.4 Deferred lease expenses (-)   |                     | -           | -          | -              | (22)       | (9)        | (31)         |  |
| XI. Derivative financial liabilities held for hedging  | II-f                | 228.442     | 211.349    | 439.791        | 30.573     | 355.822    | 386.395      |  |
| 11.1 Fair value hedge  |                     | -           | -          | -              | -          | -          | -            |  |
| 11.2 Cash flow hedge   |                     | 228.442     | 211.349    | 439.791        | 30.573     | 355.822    | 386.395      |  |
| 11.3 Foreign net investment hedge  |                     | -           | -          | -              | -          | -          | -            |  |
| XII. Provisions  | II-g                | 2.569.837   | 675.719    | 3.245.556      | 2.435.870  | 536.807    | 2.972.677    |  |
| 12.1 General loan loss provision   |                     | 1.262.683   | 620.584    | 1.883.267      | 982.335    | 488.336    | 1.470.671    |  |
| 12.2 Restructuring provisions  |                     | -           | -          | -              | -          | -          | -            |  |
| 12.3 Reserve for employee rights   |                     | 251.595     | -          | 251.595        | 216.717    | -          | 216.717      |  |
| 12.4 Insurance technical provisions (net)  |                     | -           | -          | -              | -          | -          | -            |  |
| 12.5 Other provisions  |                     | 1.055.559   | 55.135     | 1.110.694      | 1.236.818  | 48.471     | 1.285.289    |  |
| XIII. Tax liability  | II-ğ                | 372.599     | -          | 372.599        | 187.911    | -          | 187.911      |  |
| 13.1 Current tax liability   |                     | 372.599     | -          | 372.599        | 187.911    | -          | 187.911      |  |
| 13.2 Deferred tax liability  |                     | -           | -          | -              | -          | -          | -            |  |
| XIV. Liabilities for property and equipment held for sale and related to discontinued operations (net) |                     | -           | -          | -              | -          | -          | -            |  |
| 14.1 Held for sale   |                     | -           | -          | -              | -          | -          | -            |  |
| 14.2 Related to discontinued operations  |                     | -           | -          | -              | -          | -          | -            |  |
| XV. Subordinated loans   | II-h                | -           | 6.770.549  | 6.770.549      | -          | 6.480.981  | 6.480.981    |  |
| XVI. Shareholders' equity  | II-i                | 18.804.845  | 321.527    | 19.126.372     | 17.335.719 | (26.770)   | 17.308.949   |  |
| 16.1 Paid-in capital   |                     | 4.347.051   | -          | 4.347.051      | 4.347.051  | -          | 4.347.051    |  |
| 16.2 Capital reserves  |                     | 2.154.874   | 321.527    | 2.476.401      | 1.255.221  | (26.770)   | 1.228.451    |  |
| 16.2.1 Share premium   |                     | 543.881     | -          | 543.881        | 543.881    | -          | 543.881      |  |
| 16.2.2 Share cancellation profits  |                     | -           | -          | -              | -          | -          | -            |  |
| 16.2.3 Marketable securities valuation differences   | II-i                | 540.111     | 483.262    | 1.023.373      | 218.075    | 267.891    | 485.966      |  |
| 16.2.4 Property and equipment revaluation differences  |                     | 18.485      | -          | 18.485         | -          | -          | -            |  |
| 16.2.5 Intangible assets revaluation differences   |                     | -           | -          | -              | -          | -          | -            |  |
| 16.2.6 Revaluation differences of investment property  |                     | -           | -          | -              | -          | -          | -            |  |
| 16.2.7 Bonus shares from investments in associates, subsidiaries and joint ventures                    |                     | 15.107      | -          | 15.107         | 15.107     | -          | 15.107       |  |
| 16.2.8 Hedging funds (effective portion)   |                     | (135.274)   | (161.735)  | (297.009)      | 179.544    | (294.661)  | (115.117)    |  |
| 16.2.9 Value increase in assets held for sale and related to discontinued operations                   |                     | -           | -          | -              | -          | -          | -            |  |
| 16.2.10 Other capital reserves   |                     | 1.172.564   | -          | 1.172.564      | 298.614    | -          | 298.614      |  |
| 16.3 Profit reserves   |                     | 10.457.954  | -          | 10.457.954     | 8.530.472  | -          | 8.530.472    |  |
| 16.3.1 Legal reserves  |                     | 641.000     | -          | 641.000        | 463.786    | -          | 463.786      |  |
| 16.3.2 Status reserves   |                     | -           | -          | -              | -          | -          | -            |  |
| 16.3.3 Extraordinary reserves  |                     | 9.815.284   | -          | 9.815.284      | 8.051.473  | -          | 8.051.473    |  |
| 16.3.4 Other profit reserves   |                     | 1.670       | -          | 1.670          | 15.213     | -          | 15.213       |  |
| 16.4 Income or (loss)  |                     | 1.844.966   | -          | 1.844.966      | 3.202.975  | -          | 3.202.975    |  |
| 16.4.1 Prior years' income or (loss)   |                     | -           | -          | -              | -          | -          | -            |  |
| 16.4.2 Current year income or (loss)   |                     | 1.844.966   | -          | 1.844.966      | 3.202.975  | -          | 3.202.975    |  |
| Total liabilities and shareholders' equity   |                     | 102.596.854 | 78.604.431 | 181.201.285    | 74.648.373 | 74.232.939 | 148.881.312  |  |

The accompanying explanations and notes form an integral part of these financial statements.

**Yapı ve Kredi Bankası A.Ş.****Unconsolidated financial statements as of December 31, 2014 and 2013**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**II. Off-balance sheet commitments**

|             |  | Current Period     |                    |                    | Prior Period       |                    |                    |
|-------------|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|             |  | (31/12/2014)       |                    |                    | (31/12/2013)       |                    |                    |
|             | Note<br>(Section<br>Five)  | TL                 | FC                 | Total              | TL                 | FC                 | Total              |
| <b>A</b>    | <b>Off-balance sheet commitments (I+II+III)</b>                  | <b>117.452.209</b> | <b>142.114.339</b> | <b>259.566.548</b> | <b>102.762.440</b> | <b>122.829.471</b> | <b>225.591.911</b> |
| <b>I.</b>   | <b>Guarantees and warranties</b>                                 | <b>15.983.223</b>  | <b>32.292.642</b>  | <b>48.275.865</b>  | <b>12.898.958</b>  | <b>24.693.477</b>  | <b>37.592.435</b>  |
| 1.1         | Letters of guarantee   | 15.913.418         | 21.868.385         | 37.781.803         | 12.818.400         | 14.584.549         | 27.402.949         |
| 1.1.1       | Guarantees subject to state tender law                           | 503.713            | 716.911            | 1.220.624          | 482.038            | 657.448            | 1.139.486          |
| 1.1.2       | Guarantees given for foreign trade operations                    | 2.316.159          | 21.151.474         | 23.467.633         | 1.521.868          | 13.927.101         | 15.448.969         |
| 1.1.3       | Other letters of guarantee                                       | 13.093.546         | -                  | 13.093.546         | 10.814.494         | -                  | 10.814.494         |
| 1.2         | Bank acceptances   | -                  | 126.982            | 126.982            | -                  | 118.686            | 118.686            |
| 1.2.1       | Import letter of acceptance                                      | -                  | 126.982            | 126.982            | -                  | 118.686            | 118.686            |
| 1.2.2       | Other bank acceptances   | -                  | -                  | -                  | -                  | -                  | -                  |
| 1.3         | Letters of credit  | 3                  | 7.592.265          | 7.592.268          | 1.208              | 6.458.142          | 6.459.350          |
| 1.3.1       | Documentary letters of credit                                    | 3                  | 7.592.265          | 7.592.268          | 1.208              | 6.458.142          | 6.459.350          |
| 1.3.2       | Other letters of credit  | -                  | -                  | -                  | -                  | -                  | -                  |
| 1.4         | Prefinancing given as guarantee                                  | -                  | -                  | -                  | -                  | -                  | -                  |
| 1.5         | Endorsements   | -                  | -                  | -                  | -                  | -                  | -                  |
| 1.5.1       | Endorsements to the Central Bank of the Republic of Turkey       | -                  | -                  | -                  | -                  | -                  | -                  |
| 1.5.2       | Other endorsements   | -                  | -                  | -                  | -                  | -                  | -                  |
| 1.6         | Securities issue purchase guarantees                             | -                  | -                  | -                  | -                  | -                  | -                  |
| 1.7         | Factoring guarantees   | -                  | -                  | -                  | -                  | -                  | -                  |
| 1.8         | Other guarantees   | 69.802             | 788.994            | 858.796            | 79.350             | 2.016.957          | 2.096.307          |
| 1.9         | Other warranties   | -                  | 1.916.016          | 1.916.016          | -                  | 1.515.143          | 1.515.143          |
| <b>II.</b>  | <b>Commitments</b>   | <b>42.919.920</b>  | <b>3.503.210</b>   | <b>46.423.130</b>  | <b>37.495.938</b>  | <b>7.552.103</b>   | <b>45.048.041</b>  |
| 2.1         | Irrevocable commitments  | 42.919.920         | 3.503.210          | 46.423.130         | 37.495.938         | 7.552.103          | 45.048.041         |
| 2.1.1       | Asset purchase and sale commitments                              | 937.272            | 2.205.515          | 3.142.787          | 1.816.025          | 6.966.286          | 8.782.311          |
| 2.1.2       | Deposit purchase and sales commitments                           | -                  | 8                  | 8                  | -                  | 9                  | 9                  |
| 2.1.3       | Share capital commitments to associates and subsidiaries         | -                  | -                  | -                  | -                  | -                  | -                  |
| 2.1.4       | Loan granting commitments  | 6.945.817          | 1.179.842          | 8.125.659          | 5.884.104          | 510.050            | 6.394.154          |
| 2.1.5       | Securities issue brokerage commitments                           | -                  | -                  | -                  | -                  | -                  | -                  |
| 2.1.6       | Commitments for reserve deposit requirements                     | -                  | -                  | -                  | -                  | -                  | -                  |
| 2.1.7       | Commitments for cheques  | 5.981.382          | -                  | 5.981.382          | 5.385.711          | -                  | 5.385.711          |
| 2.1.8       | Tax and fund liabilities from export commitments                 | 44.489             | -                  | 44.489             | 41.007             | -                  | 41.007             |
| 2.1.9       | Commitments for credit card limits                               | 25.612.776         | -                  | 25.612.776         | 21.610.762         | -                  | 21.610.762         |
| 2.1.10      | Commitments for credit cards and banking services promotions     | 11.149             | -                  | 11.149             | 7.365              | -                  | 7.365              |
| 2.1.11      | Receivables from short sale commitments of marketable securities | -                  | -                  | -                  | -                  | -                  | -                  |
| 2.1.12      | Payables for short sale commitments of marketable securities     | -                  | -                  | -                  | -                  | -                  | -                  |
| 2.1.13      | Other irrevocable commitments                                    | 3.387.035          | 117.845            | 3.504.880          | 2.750.964          | 75.758             | 2.826.722          |
| 2.2         | Revocable commitments  | -                  | -                  | -                  | -                  | -                  | -                  |
| 2.2.1       | Revocable loan granting commitments                              | -                  | -                  | -                  | -                  | -                  | -                  |
| 2.2.2       | Other revocable commitments                                      | -                  | -                  | -                  | -                  | -                  | -                  |
| <b>III.</b> | <b>Derivative financial instruments</b>                          | <b>58.549.066</b>  | <b>106.318.487</b> | <b>164.867.553</b> | <b>52.367.544</b>  | <b>90.583.891</b>  | <b>142.951.435</b> |
| 3.1         | Derivative financial instruments for hedging purposes            | 19.785.915         | 22.110.629         | 41.896.544         | 12.176.363         | 25.452.330         | 37.628.693         |
| 3.1.1       | Transactions for fair value hedge                                | 455.325            | 674.144            | 1.129.469          | 1.104.763          | 1.506.212          | 2.610.975          |
| 3.1.2       | Transactions for cash flow hedge                                 | 19.330.590         | 21.436.485         | 40.767.075         | 11.071.600         | 23.946.118         | 35.017.718         |
| 3.1.3       | Transactions for foreign net investment hedge                    | -                  | -                  | -                  | -                  | -                  | -                  |
| 3.2         | Trading transactions   | 38.763.151         | 84.207.858         | 122.971.009        | 40.191.181         | 65.131.561         | 105.322.742        |
| 3.2.1       | Forward foreign currency buy/sell transactions                   | 2.501.331          | 3.961.567          | 6.462.898          | 3.874.595          | 5.596.930          | 9.471.525          |
| 3.2.1.1     | Forward foreign currency transactions-buy                        | 919.750            | 2.229.299          | 3.149.049          | 1.101.765          | 3.679.900          | 4.781.665          |
| 3.2.1.2     | Forward foreign currency transactions-sell                       | 1.581.581          | 1.732.268          | 3.313.849          | 2.772.830          | 1.917.030          | 4.689.860          |
| 3.2.2       | Swap transactions related to foreign currency and interest rates | 28.646.885         | 61.960.287         | 90.607.172         | 28.989.040         | 46.974.699         | 75.963.739         |
| 3.2.2.1     | Foreign currency swap-buy  | 12.373.547         | 25.252.209         | 37.625.756         | 11.579.789         | 21.617.967         | 33.197.751         |
| 3.2.2.2     | Foreign currency swap-sell                                       | 16.273.338         | 20.748.836         | 37.022.174         | 17.409.251         | 15.044.962         | 32.454.218         |
| 3.2.2.3     | Interest rate swap-buy   | -                  | 7.979.621          | 7.979.621          | -                  | 5.155.885          | 5.155.885          |
| 3.2.2.4     | Interest rate swap-sell  | -                  | 7.979.621          | 7.979.621          | -                  | 5.155.885          | 5.155.885          |
| 3.2.3       | Foreign currency, interest rate and securities options           | 3.897.749          | 12.727.219         | 16.624.968         | 6.469.546          | 12.184.618         | 18.654.164         |
| 3.2.3.1     | Foreign currency options-buy                                     | 1.763.365          | 2.931.949          | 4.695.314          | 2.028.284          | 4.259.197          | 6.287.481          |
| 3.2.3.2     | Foreign currency options-sell                                    | 2.067.159          | 2.701.972          | 4.769.131          | 3.064.188          | 3.206.369          | 6.270.557          |
| 3.2.3.3     | Interest rate options-buy  | -                  | 3.546.649          | 3.546.649          | 70.800             | 2.359.526          | 2.430.326          |
| 3.2.3.4     | Interest rate options-sell                                       | -                  | 3.546.649          | 3.546.649          | 70.800             | 2.359.526          | 2.430.326          |
| 3.2.3.5     | Securities options-buy   | 55.500             | -                  | 55.500             | 820.104            | -                  | 820.104            |
| 3.2.3.6     | Securities options-sell  | 11.725             | -                  | 11.725             | 415.370            | -                  | 415.370            |
| 3.2.4       | Foreign currency futures   | -                  | -                  | -                  | -                  | -                  | -                  |
| 3.2.4.1     | Foreign currency futures-buy                                     | -                  | -                  | -                  | -                  | -                  | -                  |
| 3.2.4.2     | Foreign currency futures-sell                                    | -                  | -                  | -                  | -                  | -                  | -                  |
| 3.2.5       | Interest rate futures  | -                  | -                  | -                  | -                  | -                  | -                  |
| 3.2.5.1     | Interest rate futures-buy  | -                  | -                  | -                  | -                  | -                  | -                  |
| 3.2.5.2     | Interest rate futures-sell                                       | -                  | -                  | -                  | -                  | -                  | -                  |
| 3.2.6       | Other  | 3.717.186          | 5.558.785          | 9.275.971          | 858.000            | 375.314            | 1.233.314          |
| <b>B.</b>   | <b>Custody and pledges received (IV+V+VI)</b>                    | <b>175.964.039</b> | <b>37.559.647</b>  | <b>213.523.686</b> | <b>132.274.872</b> | <b>33.461.678</b>  | <b>165.736.550</b> |
| <b>IV.</b>  | <b>Items held in custody</b>                                     | <b>62.028.636</b>  | <b>6.230.556</b>   | <b>68.259.192</b>  | <b>54.881.691</b>  | <b>5.616.895</b>   | <b>60.498.586</b>  |
| 4.1         | Customer fund and portfolio balances                             | -                  | -                  | -                  | -                  | 12                 | 12                 |
| 4.2         | Investment securities held in custody                            | 44.893.146         | 5.363.710          | 50.256.856         | 42.507.367         | 4.918.699          | 47.426.066         |
| 4.3         | Checks received for collection                                   | 14.213.559         | 161.325            | 14.374.884         | 9.754.090          | 136.315            | 9.890.405          |
| 4.4         | Commercial notes received for collection                         | 2.880.156          | 670.631            | 3.550.787          | 2.612.459          | 531.332            | 3.143.791          |
| 4.5         | Other assets received for collection                             | -                  | 29.819             | 29.819             | -                  | 30.537             | 30.537             |
| 4.6         | Assets received for public offering                              | -                  | -                  | -                  | -                  | -                  | -                  |
| 4.7         | Other items under custody  | 41.775             | 5.071              | 46.846             | 7.775              | -                  | 7.775              |
| 4.8         | Custodians   | -                  | -                  | -                  | -                  | -                  | -                  |
| <b>V.</b>   | <b>Pledges received</b>  | <b>112.458.919</b> | <b>30.617.856</b>  | <b>143.076.775</b> | <b>76.079.903</b>  | <b>27.120.977</b>  | <b>103.200.880</b> |
| 5.1         | Marketable securities  | 179.123            | 257                | 179.380            | 204.521            | 237                | 204.758            |
| 5.2         | Guarantee notes  | 841.979            | 246.527            | 1.088.506          | 681.445            | 433.893            | 1.115.338          |
| 5.3         | Commodity  | 28.446             | -                  | 28.446             | 22.983             | -                  | 22.983             |
| 5.4         | Warrants   | -                  | -                  | -                  | -                  | -                  | -                  |
| 5.5         | Properties   | 69.897.086         | 22.834.232         | 92.731.318         | 52.696.177         | 19.738.023         | 72.434.200         |
| 5.6         | Other pledged items  | 41.512.285         | 7.532.654          | 49.044.939         | 22.474.777         | 6.944.919          | 29.419.696         |
| 5.7         | Pledged items-depository   | -                  | 4.186              | 4.186              | -                  | 3.905              | 3.905              |

The accompanying explanations and notes form an integral part of these financial statements.

**Yapı ve Kredi Bankası A.Ş.****Unconsolidated financial statements as of December 31, 2014 and 2013**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

|  |  |                    |                    |                    |                    |                    |                    |
|--|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| VI.  | Accepted independent guarantees and warranties | 1.476.484          | 711.235            | 2.187.719          | 1.313.278          | 723.806            | 2.037.084          |
| <b>Total off-balance sheet commitments (A+B)</b> |  | <b>293.416.248</b> | <b>179.673.986</b> | <b>473.090.234</b> | <b>235.037.312</b> | <b>156.291.149</b> | <b>391.328.461</b> |

**III. Income statement**

|        |  | Note<br>(Section<br>Five) | Current Period 01/01-<br>31/12/2014 | Prior Period 01/01-<br>31/12/2013 |
|--------|--|---------------------------|-------------------------------------|-----------------------------------|
|        | <b>Income and expense items</b>  |                           |                                     |                                   |
| I.     | <b>Interest income</b>   | <b>IV-a</b>               | <b>11.770.083</b>                   | <b>9.235.690</b>                  |
| 1.1    | Interest on loans  | IV-a-1                    | 9.616.585                           | 7.557.038                         |
| 1.2    | Interest received from reserve deposits                                      |                           | 709                                 | -                                 |
| 1.3    | Interest received from banks   | IV-a-2                    | 69.237                              | 35.087                            |
| 1.4    | Interest received from money market transactions                             |                           | 240.898                             | 121.487                           |
| 1.5    | Interest received from marketable securities portfolio                       | IV-a-3                    | 1.841.998                           | 1.519.160                         |
| 1.5.1  | Trading financial assets   |                           | 3.378                               | 8.832                             |
| 1.5.2  | Financial assets at fair value through profit or (loss)                      |                           | -                                   | -                                 |
| 1.5.3  | Available-for-sale financial assets  |                           | 1.414.350                           | 1.092.835                         |
| 1.5.4  | Held to maturity investments   |                           | 424.270                             | 417.493                           |
| 1.6    | Financial lease income   |                           | -                                   | -                                 |
| 1.7    | Other interest income  |                           | 656                                 | 2.918                             |
| II.    | <b>Interest expense</b>  | <b>IV-b</b>               | <b>(6.164.376)</b>                  | <b>(4.571.458)</b>                |
| 2.1    | Interest on deposits   | IV-b-4                    | (4.713.798)                         | (3.501.698)                       |
| 2.2    | Interest on funds borrowed   | IV-b-1                    | (723.982)                           | (701.435)                         |
| 2.3    | Interest expense on money market transactions                                |                           | (251.503)                           | (115.292)                         |
| 2.4    | Interest on securities issued  | IV-b-3                    | (458.795)                           | (236.433)                         |
| 2.5    | Other interest expenses  |                           | (16.298)                            | (16.600)                          |
| III.   | <b>Net interest income (I + II)</b>  |                           | <b>5.605.707</b>                    | <b>4.664.232</b>                  |
| IV.    | <b>Net fees and commissions income</b>                                       |                           | <b>2.200.615</b>                    | <b>2.006.317</b>                  |
| 4.1    | Fees and commissions received  |                           | 2.814.152                           | 2.397.619                         |
| 4.1.1  | Non-cash loans   |                           | 319.409                             | 277.365                           |
| 4.1.2  | Other  | IV-i                      | 2.494.743                           | 2.120.254                         |
| 4.2    | Fees and commissions paid  |                           | (613.537)                           | (391.302)                         |
| 4.2.1  | Non-cash loans   |                           | (613)                               | (263)                             |
| 4.2.2  | Other  |                           | (612.924)                           | (391.039)                         |
| V.     | <b>Dividend income</b>   | <b>IV-c</b>               | <b>174.129</b>                      | <b>132.787</b>                    |
| VI.    | <b>Trading gain/(loss) (net)</b>   | <b>IV-ç</b>               | <b>(416.118)</b>                    | <b>115.048</b>                    |
| 6.1    | Trading gains/(losses) on securities   |                           | 276.078                             | 569.121                           |
| 6.2    | Derivative financial transactions gains/(losses)                             | IV-d                      | (1.371.145)                         | 1.683.541                         |
| 6.3    | Foreign exchange gains/(losses)  |                           | 678.949                             | (2.137.614)                       |
| VII.   | <b>Other operating income</b>  | <b>IV-e</b>               | <b>597.146</b>                      | <b>452.360</b>                    |
| VIII.  | <b>Total operating income (III+IV+V+VI+VII)</b>                              |                           | <b>8.161.479</b>                    | <b>7.370.744</b>                  |
| IX.    | <b>Provision for impairment of loans and other receivables (-)</b>           | <b>IV-f</b>               | <b>(1.861.978)</b>                  | <b>(1.475.405)</b>                |
| X.     | <b>Other operating expenses (-)</b>  | <b>IV-g</b>               | <b>(3.929.876)</b>                  | <b>(3.339.012)</b>                |
| XI.    | <b>Net operating income/(loss) (VIII-IX-X)</b>                               |                           | <b>2.369.625</b>                    | <b>2.556.327</b>                  |
| XII.   | Excess amount recorded as income after merger                                |                           | -                                   | -                                 |
| XIII.  | Income/(loss) from investments accounted based on equity method              |                           | -                                   | -                                 |
| XIV.   | Income/(loss) on net monetary position                                       |                           | -                                   | -                                 |
| XV.    | <b>Profit/loss before taxes from continuing operations (XI+XII+XIII+XIV)</b> | <b>IV-ğ</b>               | <b>2.369.625</b>                    | <b>2.556.327</b>                  |
| XVI.   | <b>Tax provision for continuing operations (±)</b>                           | <b>IV-h</b>               | <b>(524.659)</b>                    | <b>(525.787)</b>                  |
| 16.1   | Current tax provision  |                           | (680.515)                           | (151.385)                         |
| 16.2   | Deferred tax provision   |                           | 155.856                             | (374.402)                         |
| XVII.  | <b>Net profit/loss from continuing operations (XV±XVI)</b>                   |                           | <b>1.844.966</b>                    | <b>2.030.540</b>                  |
| XVIII. | <b>Income from discontinued operations</b>                                   |                           | -                                   | <b>1.227.271</b>                  |
| 18.1   | Income from non-current assets held for resale                               |                           | -                                   | -                                 |
| 18.2   | Profit from sales of associates, subsidiaries and joint ventures             |                           | -                                   | 1.227.271                         |
| 18.3   | Other income from discontinued operations                                    |                           | -                                   | -                                 |
| XIX.   | <b>Expenses from discontinued operations (-)</b>                             |                           | -                                   | -                                 |
| 19.1   | Expenses for non-current assets held for resale                              |                           | -                                   | -                                 |
| 19.2   | Loss from sales of associates, subsidiaries and joint ventures               |                           | -                                   | -                                 |
| 19.3   | Other expenses from discontinued operations                                  |                           | -                                   | -                                 |
| XX.    | <b>Profit /losses before taxes from discontinued operations (XVIII-XIX)</b>  | <b>IV-ğ</b>               | -                                   | <b>1.227.271</b>                  |
| XXI.   | <b>Tax provision for discontinued operations (±)</b>                         | <b>IV-h</b>               | -                                   | <b>(54.836)</b>                   |
| 21.1   | Current tax provision  |                           | -                                   | (54.836)                          |
| 21.2   | Deferred tax provision   |                           | -                                   | -                                 |
| XXII.  | <b>Net profit/loss from discontinued operations (XX±XXI)</b>                 |                           | -                                   | <b>1.172.435</b>                  |
| XXIII. | <b>Net profit/loss (XVII+XXII)</b>   | <b>IV-i</b>               | <b>1.844.966</b>                    | <b>3.202.975</b>                  |
|        | Earnings/(loss) per share (full TL)  |                           | 0,0042                              | 0,0074                            |

The accompanying explanations and notes form an integral part of these financial statements.

**Yapı ve Kredi Bankası A.Ş.****Unconsolidated financial statements as of December 31, 2014 and 2013**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**IV. Statement of income and expense items accounted under shareholders' equity**

|       |   | Current Period | Prior Period |
|-------|---|----------------|--------------|
|       | Income and expense items accounted under shareholders' equity   | (31/12/2014)   | (31/12/2013) |
| I.    | Transfers to marketable securities valuation differences from financial assets available for sale           | 654.661        | (3.669.718)  |
| II.   | Property and equipment revaluation differences  | 18.485         | -            |
| III.  | Intangible assets revaluation differences   | -              | -            |
| IV.   | Currency translation differences for foreign currency transactions  | (8.124)        | 179.693      |
| V.    | Profit /loss on cash flow hedges (effective part of the fair value changes)                                 | (208.019)      | 661.738      |
| VI.   | Profit/loss on foreign net investment hedges (effective part of the fair value changes)                     | -              | -            |
| VII.  | Effects of changes in accounting policy and adjustment of errors  | -              | -            |
| VIII. | Other income and expense items accounted under shareholders' equity according to TAS                        | (17.024)       | 32.727       |
| IX.   | Deferred tax on valuation differences   | (79.522)       | 339.492      |
| X.    | Net profit or loss accounted directly under shareholders' equity (I+II+...+IX)                              | 360.457        | (2.456.068)  |
| XI.   | Current year profit/loss  | 1.844.966      | 3.202.975    |
| 11.1  | Net change in fair value of marketable securities (recycled to profit-loss)                                 | 118.063        | 1.690.028    |
| 11.2  | Part of cash flow hedge derivative financial instruments reclassified and presented on the income statement | (158.005)      | (247.017)    |
| 11.3  | Part of foreign net investment hedges reclassified and presented on the income statement                    | -              | -            |
| 11.4  | Other   | 1.884.908      | 1.759.964    |
| XII.  | Total income/loss accounted for the period (X+XI)   | 2.205.423      | 746.907      |



**Yapı ve Kredi Bankası A.Ş.****Unconsolidated statement of changes in shareholders' equity as of December 31, 2013**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**V. Statement of changes in shareholders' equity**

|        | Prior Period   | Note<br>(Section<br>five) | Paid-<br>in capital | Adjustment<br>to share<br>capital | Share<br>premium | Share<br>cancellation<br>profits | Legal<br>reserves | Status<br>reserves | Extra ord.<br>reserves | Other<br>reserves | Current<br>period<br>net<br>income/(loss) | Prior<br>period<br>income<br>/(loss) | Marketable<br>securities<br>Value<br>increase<br>fund | Property and<br>equipment and<br>intangible<br>assets<br>revaluation<br>fund | Bonus<br>shares from<br>investments | Hedging<br>funds | Assets held<br>for resale/<br>discontinued<br>operations<br>revaluation fund | Total<br>shareholders'<br>equity |
|--------|--|---------------------------|---------------------|-----------------------------------|------------------|----------------------------------|-------------------|--------------------|------------------------|-------------------|---|--------------------------------------|---|--|-------------------------------------|------------------|--|----------------------------------|
|        | December 31, 2013  |                           |                     |                                   |                  |                                  |                   |                    |                        |                   |   |                                      |   |  |                                     |                  |  |                                  |
| I.     | Period opening balance   |                           | 4.347.051           | -                                 | 543.881          | -                                | 359.847           | -                  | 6.546.849              | 294.801           | 1.913.472                                 | -                                    | 3.416.954   | -  | -                                   | (560.813)        | -  | 16.862.042                       |
| II.    | Changes in accounting policies according to TAS 8                            |                           |                     |                                   |                  |                                  |                   |                    |                        |                   |   |                                      |   |  |                                     |                  |  |                                  |
| 2.1    | Effects of errors  |                           | -                   | -                                 | -                | -                                | -                 | -                  | -                      | -                 | -   | -                                    | -   | -  | -                                   | -                | -  | -                                |
| 2.2    | Effects of the changes in accounting policies                                |                           | -                   | -                                 | -                | -                                | -                 | -                  | -                      | -                 | -   | -                                    | -   | -  | -                                   | -                | -  | -                                |
| III.   | New balance (I+II)   |                           | 4.347.051           | -                                 | 543.881          | -                                | 359.847           | -                  | 6.546.849              | 294.801           | 1.913.472                                 | -                                    | 3.416.954   | -  | -                                   | (560.813)        | -  | 16.862.042                       |
|        | Changes in the period  |                           |                     |                                   |                  |                                  |                   |                    |                        |                   |   |                                      |   |  |                                     |                  |  |                                  |
| IV.    | Increase/decrease due to merger  |                           | -                   | -                                 | -                | -                                | -                 | -                  | -                      | -                 | -   | -                                    | -   | -  | -                                   | -                | -  | -                                |
| V.     | Marketable securities valuation differences                                  |                           | -                   | -                                 | -                | -                                | -                 | -                  | -                      | -                 | -   | -                                    | (3.158.437)   | -  | -                                   | -                | -  | (3.158.437)                      |
| VI.    | Hedging transactions (effective portion)                                     |                           | -                   | -                                 | -                | -                                | -                 | -                  | -                      | -                 | -   | -                                    | -   | -  | -                                   | 529.391          | -  | 529.391                          |
| 6.1    | Cash flow hedge  |                           | -                   | -                                 | -                | -                                | -                 | -                  | -                      | -                 | -   | -                                    | -   | -  | -                                   | 529.391          | -  | 529.391                          |
| 6.2    | Foreign net investment hedge   |                           | -                   | -                                 | -                | -                                | -                 | -                  | -                      | -                 | -   | -                                    | -   | -  | -                                   | -                | -  | -                                |
| VII.   | Property and equipment revaluation differences                               |                           | -                   | -                                 | -                | -                                | -                 | -                  | -                      | -                 | -   | -                                    | -   | -  | -                                   | -                | -  | -                                |
| VIII.  | Intangible assets revaluation differences                                    |                           | -                   | -                                 | -                | -                                | -                 | -                  | -                      | -                 | -   | -                                    | -   | -  | -                                   | -                | -  | -                                |
| IX.    | Bonus shares from investments in associates, subsidiaries and joint ventures |                           | -                   | -                                 | -                | -                                | -                 | -                  | -                      | -                 | -   | -                                    | -   | -  | 15.107                              | -                | -  | 15.107                           |
| X.     | Foreign exchange differences   |                           | -                   | -                                 | -                | -                                | -                 | -                  | -                      | -                 | -   | -                                    | 227.449   | -  | -                                   | (83.695)         | -  | 143.754                          |
| XI.    | Changes due to the disposal of assets  |                           | -                   | -                                 | -                | -                                | -                 | -                  | -                      | -                 | -   | -                                    | -   | -  | -                                   | -                | -  | -                                |
| XII.   | Changes due to the reclassification of assets                                |                           | -                   | -                                 | -                | -                                | -                 | -                  | -                      | -                 | -   | -                                    | -   | -  | -                                   | -                | -  | -                                |
| XIII.  | Effect of the changes in equity of investment in associates                  |                           | -                   | -                                 | -                | -                                | -                 | -                  | -                      | -                 | -   | -                                    | -   | -  | -                                   | -                | -  | -                                |
| XIV.   | Capital increase   |                           | -                   | -                                 | -                | -                                | -                 | -                  | -                      | -                 | -   | -                                    | -   | -  | -                                   | -                | -  | -                                |
| 14.1   | Cash increase  |                           | -                   | -                                 | -                | -                                | -                 | -                  | -                      | -                 | -   | -                                    | -   | -  | -                                   | -                | -  | -                                |
| 14.2   | Internal resources   |                           | -                   | -                                 | -                | -                                | -                 | -                  | -                      | -                 | -   | -                                    | -   | -  | -                                   | -                | -  | -                                |
| XV.    | Share premium  |                           | -                   | -                                 | -                | -                                | -                 | -                  | -                      | -                 | -   | -                                    | -   | -  | -                                   | -                | -  | -                                |
| XVI.   | Share cancellation profits   |                           | -                   | -                                 | -                | -                                | -                 | -                  | -                      | -                 | -   | -                                    | -   | -  | -                                   | -                | -  | -                                |
| XVII.  | Paid in-capital inflation adjustment difference                              |                           | -                   | -                                 | -                | -                                | -                 | -                  | -                      | -                 | -   | -                                    | -   | -  | -                                   | -                | -  | -                                |
| XVIII. | Other  |                           | -                   | -                                 | -                | -                                | -                 | -                  | -                      | 14.117            | -   | -                                    | -   | -  | -                                   | -                | -  | 14.117                           |
| XIX.   | Current year income or loss  |                           | -                   | -                                 | -                | -                                | -                 | -                  | -                      | -                 | 3.202.975                                 | -                                    | -   | -  | -                                   | -                | -  | 3.202.975                        |
| XX.    | Profit distribution  |                           | -                   | -                                 | -                | -                                | 103.939           | -                  | 1.504.624              | 4.909             | (1.913.472)                               | -                                    | -   | -  | -                                   | -                | -  | (300.000)                        |
| 20.1   | Dividend paid  |                           | -                   | -                                 | -                | -                                | -                 | -                  | -                      | -                 | (300.000)                                 | -                                    | -   | -  | -                                   | -                | -  | (300.000)                        |
| 20.2   | Transfers to reserves  |                           | -                   | -                                 | -                | -                                | 103.939           | -                  | 1.504.624              | 4.909             | (1.613.472)                               | -                                    | -   | -  | -                                   | -                | -  | -                                |
| 20.3   | Other  |                           | -                   | -                                 | -                | -                                | -                 | -                  | -                      | -                 | -   | -                                    | -   | -  | -                                   | -                | -  | -                                |
|        | Period end balance<br>(III+IV+V+.....+ XVIII +XIX+XX)                        |                           | 4.347.051           | -                                 | 543.881          | -                                | 463.786           | -                  | 8.051.473              | 313.827           | 3.202.975                                 | -                                    | 485.966   | -  | 15.107                              | (115.117)        | -  | 17.308.949                       |

The accompanying explanations and notes form an integral part of these financial statements.

## Yapı ve Kredi Bankası A.Ş.

## Unconsolidated statement of changes in shareholders' equity as of December 31, 2014

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

## V. Statement of changes in shareholders' equity

| Current Period                                   |  |                     |                 |                             |               |                            |                |                 |                     |                |                                  |                            |   | Property and equipment and intangible assets | Bonus shares from investments | Assets held for resale/ discontinued operations | Total shareholders' equity |            |
|--|--|---------------------|-----------------|-----------------------------|---------------|----------------------------|----------------|-----------------|---------------------|----------------|----------------------------------|----------------------------|---|--|-------------------------------|---|----------------------------|------------|
|  |  | Note (Section five) | Paid-in capital | Adjustment to share capital | Share premium | Share cancellation profits | Legal reserves | Status reserves | Extra ord. reserves | Other reserves | Current period net income/(loss) | Prior period income/(loss) | Marketable securities value increase fund | revaluation fund                             | Hedging funds                 | revaluation fund                                |                            |            |
| December 31, 2014                                |  |                     |                 |                             |               |                            |                |                 |                     |                |                                  |                            |   |  |                               |   |                            |            |
| I.   | Prior period end balance   |                     | 4,347.051       | -                           | 543.881       | -                          | 463.786        | -               | 8.051.473           | 313.827        | 3,202.975                        | -                          | 485.966                                   | -  | 15.107                        | (115.117)                                       | -                          | 17,308.949 |
|  | Changes in the period  |                     | -               | -                           | -             | -                          | -              | -               | -                   | -              | -                                | -                          | -   | -  | -                             | -   | -                          | -          |
| II.  | Increase/decrease due to the merger  |                     | -               | -                           | -             | -                          | -              | -               | -                   | -              | -                                | -                          | -   | -  | -                             | -   | -                          | -          |
| III.   | Marketable securities valuation differences                                  |                     | -               | -                           | -             | -                          | -              | -               | -                   | -              | -                                | -                          | 528.430                                   | -  | -                             | -   | -                          | 528.430    |
| IV.  | Hedging transactions (effective portion)                                     |                     | -               | -                           | -             | -                          | -              | -               | -                   | -              | -                                | -                          | -   | -  | -                             | (166.416)                                       | -                          | (166.416)  |
| 4.1  | Cash flow hedge  |                     | -               | -                           | -             | -                          | -              | -               | -                   | -              | -                                | -                          | -   | -  | -                             | (166.416)                                       | -                          | (166.416)  |
| 4.2  | Foreign net investment hedge   |                     | -               | -                           | -             | -                          | -              | -               | -                   | -              | -                                | -                          | -   | -  | -                             | -   | -                          | -          |
| V.   | Property and equipment revaluation differences                               |                     | -               | -                           | -             | -                          | -              | -               | -                   | -              | -                                | -                          | -   | 18.485                                       | -                             | -   | -                          | 18.485     |
| VI.  | Intangible assets revaluation differences                                    |                     | -               | -                           | -             | -                          | -              | -               | -                   | -              | -                                | -                          | -   | -  | -                             | -   | -                          | -          |
| VII.   | Bonus shares from investments in associates, subsidiaries and joint ventures |                     | -               | -                           | -             | -                          | -              | -               | -                   | -              | -                                | -                          | -   | -  | -                             | -   | -                          | -          |
| VIII.  | Foreign exchange differences   |                     | -               | -                           | -             | -                          | -              | -               | -                   | -              | -                                | -                          | 8.977                                     | -  | -                             | (15.476)  | -                          | (6.499)    |
| IX.  | Changes due to the disposal of assets  |                     | -               | -                           | -             | -                          | -              | -               | -                   | -              | -                                | -                          | -   | -  | -                             | -   | -                          | -          |
| X.   | Changes due to the reclassification of assets                                |                     | -               | -                           | -             | -                          | -              | -               | -                   | -              | -                                | -                          | -   | -  | -                             | -   | -                          | -          |
| XI.  | Effect of the changes in equity of investment in associates                  |                     | -               | -                           | -             | -                          | -              | -               | -                   | -              | -                                | -                          | -   | -  | -                             | -   | -                          | -          |
| XII.   | Capital increase   |                     | -               | -                           | -             | -                          | -              | -               | -                   | -              | -                                | -                          | -   | -  | -                             | -   | -                          | -          |
| 12.1   | Cash increase  |                     | -               | -                           | -             | -                          | -              | -               | -                   | -              | -                                | -                          | -   | -  | -                             | -   | -                          | -          |
| 12.2   | Internal resources   |                     | -               | -                           | -             | -                          | -              | -               | -                   | -              | -                                | -                          | -   | -  | -                             | -   | -                          | -          |
| XIII.  | Share premium  |                     | -               | -                           | -             | -                          | -              | -               | -                   | -              | -                                | -                          | -   | -  | -                             | -   | -                          | -          |
| XIV.   | Share cancellation profits   |                     | -               | -                           | -             | -                          | -              | -               | -                   | -              | -                                | -                          | -   | -  | -                             | -   | -                          | -          |
| XV.  | Paid in-capital inflation adjustment difference                              |                     | -               | -                           | -             | -                          | -              | -               | -                   | -              | -                                | -                          | -   | -  | -                             | -   | -                          | -          |
| XVI.   | Other  |                     | -               | -                           | -             | -                          | -              | -               | -                   | (13.543)       | -                                | -                          | -   | -  | -                             | -   | -                          | (13.543)   |
| XVII.  | Current year income or loss  |                     | -               | -                           | -             | -                          | -              | -               | -                   | -              | 1.844.966                        | -                          | -   | -  | -                             | -   | -                          | 1.844.966  |
| XVIII.   | Profit distribution  |                     | -               | -                           | -             | -                          | 177.214        | -               | 1.763.811           | 873.950        | (3.202.975)                      | -                          | -   | -  | -                             | -   | -                          | (388.000)  |
| 18.1   | Dividend paid  |                     | -               | -                           | -             | -                          | -              | -               | -                   | -              | (388.000)                        | -                          | -   | -  | -                             | -   | -                          | (388.000)  |
| 18.2   | Transfers to reserves  |                     | -               | -                           | -             | -                          | 177.214        | -               | 1.763.811           | 873.950        | (2.814.975)                      | -                          | -   | -  | -                             | -   | -                          | -          |
| 18.3   | Other  |                     | -               | -                           | -             | -                          | -              | -               | -                   | -              | -                                | -                          | -   | -  | -                             | -   | -                          | -          |
| Period end balance (I+II+III+...+XVI+XVII+XVIII) |  |                     | 4,347.051       | -                           | 543.881       | -                          | 641.000        | -               | 9.815.284           | 1.174.234      | 1.844.966                        | -                          | 1.023.373                                 | 18.485                                       | 15.107                        | (297.009)                                       | -                          | 19.126.372 |

The accompanying explanations and notes form an integral part of these financial statements.

**Yapı ve Kredi Bankası A.Ş.****Unconsolidated financial statements as of December 31, 2014 and 2013**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**VI. Statement of cash flows**

|   | Notes<br>(Section<br>Five) | Current Period<br>(31/12/2014) | Prior Period<br>(31/12/2013) |
|---|----------------------------|--------------------------------|------------------------------|
| <b>A. Cash flows from banking operations</b>  |                            |                                |                              |
| 1.1 Operating profit before changes in operating assets and liabilities                       |                            | 4.667.797                      | 3.619.866                    |
| 1.1.1 Interest received   |                            | 10.852.042                     | 10.291.967                   |
| 1.1.2 Interest paid   |                            | (6.109.296)                    | (4.388.150)                  |
| 1.1.3 Dividend received   |                            | 174.129                        | 132.787                      |
| 1.1.4 Fees and commissions received   |                            | 2.812.517                      | 2.398.398                    |
| 1.1.5 Other income  |                            | 274.360                        | 1.450.270                    |
| 1.1.6 Collections from previously written-off loans and other receivables                     |                            | 945.206                        | 1.209.846                    |
| 1.1.7 Payments to personnel and service suppliers   |                            | (3.278.872)                    | (2.734.427)                  |
| 1.1.8 Taxes paid  |                            | (702.912)                      | (521.256)                    |
| 1.1.9 Other   | VI-c                       | (299.377)                      | (4.219.569)                  |
| 1.2 Changes in operating assets and liabilities   |                            | (4.970.341)                    | (5.337.148)                  |
| 1.2.1 Net (increase)/decrease in trading securities   |                            | (57.982)                       | 412.601                      |
| 1.2.2 Net (increase)/decrease in fair value through profit/loss financial assets              |                            | -                              | -                            |
| 1.2.3 Net (increase)/decrease in banks  |                            | (2.325.251)                    | (7.187.982)                  |
| 1.2.4 Net (increase)/decrease in loans  |                            | (28.579.873)                   | (22.423.162)                 |
| 1.2.5 Net (increase)/decrease in other assets   |                            | (377.732)                      | 689.716                      |
| 1.2.6 Net increase /(decrease) in bank deposits   |                            | 298.770                        | 980.858                      |
| 1.2.7 Net increase /(decrease) in other deposits  |                            | 18.445.274                     | 17.248.694                   |
| 1.2.8 Net increase /(decrease) in funds borrowed  |                            | 4.840.321                      | 3.049.273                    |
| 1.2.9 Net increase /(decrease) in payables  |                            | -                              | -                            |
| 1.2.10 Net increase /(decrease) in other liabilities  | VI-c                       | 2.786.132                      | 1.892.854                    |
| <b>I. Net cash flows from banking operations</b>  |                            | <b>(302.544)</b>               | <b>(1.717.282)</b>           |
| <b>B. Cash flows from investing activities</b>  |                            |                                |                              |
| <b>II. Net cash flows from investing activities</b>   |                            | <b>(3.043.495)</b>             | <b>(653.507)</b>             |
| 2.1 Cash paid for acquisition of investments in associates, subsidiaries and joint ventures   |                            | (124.138)                      | (71.129)                     |
| 2.2 Cash obtained from disposal of investments in associates, subsidiaries and joint ventures |                            | 44.433                         | 1.247.195                    |
| 2.3 Purchases of property and equipment   |                            | (437.435)                      | (251.481)                    |
| 2.4 Disposals of property and equipment   |                            | 66.108                         | 61.070                       |
| 2.5 Purchase of investments available-for-sale  |                            | (12.565.639)                   | (10.005.484)                 |
| 2.6 Sale of investments available-for-sale  |                            | 8.311.853                      | 8.611.406                    |
| 2.7 Purchase of investment securities   |                            | (561.762)                      | (262.570)                    |
| 2.8 Sale of investment securities   |                            | 2.223.085                      | 17.486                       |
| 2.9 Other   |                            | -                              | -                            |
| <b>C. Cash flows from financing activities</b>  |                            |                                |                              |
| <b>III. Net cash flows from financing activities</b>  |                            | <b>3.159.357</b>               | <b>2.712.059</b>             |
| 3.1 Cash obtained from funds borrowed and securities issued                                   |                            | 13.790.879                     | 11.204.385                   |
| 3.2 Cash used for repayment of funds borrowed and securities issued                           |                            | (10.242.683)                   | (8.183.185)                  |
| 3.3 Issued capital instruments  |                            | -                              | -                            |
| 3.4 Dividends paid  |                            | (388.000)                      | (300.000)                    |
| 3.5 Payments for finance leases   |                            | (839)                          | (9.141)                      |
| 3.6 Other   |                            | -                              | -                            |
| <b>IV. Effect of change in foreign exchange rates on cash and cash equivalents</b>            | <b>VI-c</b>                | <b>115.664</b>                 | <b>621.837</b>               |
| <b>V. Net increase in cash and cash equivalents (I+II+III+IV)</b>                             |                            | <b>(71.018)</b>                | <b>963.107</b>               |
| <b>VI. Cash and cash equivalents at beginning of the period</b>                               | <b>VI-a</b>                | <b>9.272.213</b>               | <b>8.309.106</b>             |
| <b>VII. Cash and cash equivalents at end of the period</b>                                    | <b>VI-a</b>                | <b>9.201.195</b>               | <b>9.272.213</b>             |

The accompanying explanations and notes form an integral part of these financial statements.

**Yapı ve Kredi Bankası A.Ş.****Notes to unconsolidated financial statements as of December 31, 2014 (****(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))****VII. Profit appropriation statement <sup>(1)</sup>**

|             |  | Current Period   | Prior Period     |
|-------------|--|------------------|------------------|
|             |  | (31/12/2014)     | (31/12/2013)     |
| <b>I.</b>   | <b>Distribution of current year income</b>                       |                  |                  |
| 1.1         | Current year income  | 2.369.625        | 3.783.598        |
| 1.2         | Taxes and duties payable (-)                                     | (524.659)        | (580.623)        |
| 1.2.1       | Corporate tax (income tax)                                       | (680.515)        | (206.221)        |
| 1.2.2       | Income withholding tax   | -                | -                |
| 1.2.3       | Other taxes and duties   | 155.856          | (374.402)        |
| <b>A.</b>   | <b>Net income for the year (1.1-1.2)</b>                         | <b>1.844.966</b> | <b>3.202.975</b> |
| 1.3         | Prior year losses (-)  | -                | -                |
| 1.4         | First legal reserves (-)   | -                | 177.214          |
| 1.5         | Other statutory reserves (-)                                     | -                | -                |
| <b>B.</b>   | <b>Net income available for distribution [(a)-(1.3+1.4+1.5)]</b> | <b>1.844.966</b> | <b>3.025.761</b> |
| 1.6         | First dividend to shareholders (-)                               | -                | 388.000          |
| 1.6.1       | To owners of ordinary shares                                     | -                | 388.000          |
| 1.6.2       | To owners of privileged shares                                   | -                | -                |
| 1.6.3       | To owners of preferred shares                                    | -                | -                |
| 1.6.4       | To profit sharing bonds  | -                | -                |
| 1.6.5       | To holders of profit and loss sharing certificates               | -                | -                |
| 1.7         | Dividends to personnel (-)                                       | -                | -                |
| 1.8         | Dividends to board of directors (-)                              | -                | -                |
| 1.9         | Second dividend to shareholders (-)                              | -                | -                |
| 1.9.1       | To owners of ordinary shares                                     | -                | -                |
| 1.9.2       | To owners of privileged shares                                   | -                | -                |
| 1.9.3       | To owners of preferred shares                                    | -                | -                |
| 1.9.4       | To profit sharing bonds  | -                | -                |
| 1.9.5       | To holders of profit and loss sharing certificates               | -                | -                |
| 1.10        | Second legal reserves (-)  | -                | -                |
| 1.11        | Statutory reserves (-)   | -                | -                |
| 1.12        | Extraordinary reserves   | -                | 1.763.811        |
| 1.13        | Other reserves   | -                | -                |
| 1.14        | Special funds  | -                | 873.950          |
| <b>II.</b>  | <b>Distribution of reserves</b>                                  |                  |                  |
| 2.1         | Appropriated reserves  | -                | -                |
| 2.2         | Second legal reserves (-)  | -                | -                |
| 2.3         | Dividends to shareholders (-)                                    | -                | -                |
| 2.3.1       | To owners of ordinary shares                                     | -                | -                |
| 2.3.2       | To owners of privileged shares                                   | -                | -                |
| 2.3.3       | To owners of preferred shares                                    | -                | -                |
| 2.3.4       | To profit sharing bonds  | -                | -                |
| 2.3.5       | To holders of profit and loss sharing certificates               | -                | -                |
| 2.4         | Dividends to personnel (-)                                       | -                | -                |
| 2.5         | Dividends to board of directors (-)                              | -                | -                |
| <b>III.</b> | <b>Earnings per share</b>  |                  |                  |
| 3.1         | To owners of ordinary shares                                     | 0,0042           | 0,0074           |
| 3.2         | To owners of ordinary shares (%)                                 | -                | -                |
| 3.3         | To owners of privileged shares                                   | -                | -                |
| 3.4         | To owners of privileged shares (%)                               | -                | -                |
| <b>IV.</b>  | <b>Dividend per share</b>  |                  |                  |
| 4.1         | To owners of ordinary shares                                     | -                | 0,0009           |
| 4.2         | To owners of ordinary shares (%)                                 | -                | -                |
| 4.3         | To owners of privileged shares                                   | -                | -                |
| 4.4         | To owners of privileged shares (%)                               | -                | -                |

- (1) Authorized body for profit appropriation of the current period is General Assembly. As of the preparation date of these financial statements, yearly ordinary meeting of the General Assembly has not been held yet. Since the profit appropriation proposal for the year 2014 has not been prepared by the Board of Directors, only net profit related to the year 2013, which is base for the profit appropriation calculation, has been disclosed. The aforementioned amount also includes 75% of gains on sales of property and equipment, and share certificates amounting to TL 1.486 which are not going to be distributed and are going to be held in reserves according to the article 5/1-e of Corporate Tax Law No. 5520.
- (2) As per the BRSA, income associated with deferred tax assets shall not be considered as cash or internally generated source and accordingly such amounts taking part of net period profit shall not be included in profit distribution and capital increase. As of December 31, 2014 the Bank has deferred tax income amounting to TL 155.586 associated with the deferred tax asset which will not be distributed.

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements as of December 31, 2014 (

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

### Section Three: Accounting policies

#### I. Explanations on basis of presentation:

The Bank maintains its books of accounts in Turkish Lira in accordance with the Banking Act No. 5411 ("Banking Act"), which is effective from November 1, 2005, the Turkish Commercial Code ("TCC"), and Turkish Tax Legislation.

The unconsolidated financial statements are prepared in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents" published in the Official Gazette No. 26333 dated November 1, 2006 by the Banking Regulation and Supervision Agency ("BRSA") which refers to "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") and other decrees, notes and explanations related to the accounting and financial reporting principles (all "Turkish Accounting Standards" or "TAS") published by the BRSA. The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" and changes and notes to this communiqué published in the Official Gazette No. 28337 dated June 28, 2012.

The accompanying unconsolidated financial statements are prepared in accordance with the historical cost basis (restated for the changes in the general purchasing power of TL until December 31, 2004), except for financial assets and liabilities at fair value through profit or loss, financial assets available for sale, investments in associates and subsidiaries measured at fair value, trading derivative financial liabilities, hedging derivative financial assets/liabilities and art objects and paintings in tangible assets. Besides, the carrying values of assets carried at amortised cost but subject to fair value hedge are adjusted to reflect the fair value changes related to the hedged risks.

The preparation of unconsolidated financial statements in conformity with TAS requires the use of certain accounting estimates by the Bank management to exercise its judgment on the assets and liabilities on the balance sheet and contingent assets and liabilities as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are explained in the related notes and reflected to the income statement.

The accounting policies and valuation principles applied in the preparation of financial statements are defined and applied in accordance with TAS and are consistent with the accounting policies applied for the year ended December 31, 2013, except for changes on accounting policies from historical cost basis to revaluation basis for art objects and paintings in tangible assets. TAS/TFRS changes which are effective from January 1, 2014 (TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended), TRFS Interpretation 21 Levies, Amendments to TAS 36 - (Recoverable Amount Disclosures for Non-Financial assets), Amendments to TAS 39 - Novation of Derivatives and Continuation of Hedge Accounting, TFRS 10 Consolidated Financial Statements (Amendment)) do not have a significant effect on the Bank's accounting policies, financial position or performance. Those accounting policies and valuation principles are explained in Notes II to XXVI below.

The effects of TFRS 9, "Financial Instruments" which has not been implemented yet, are under evaluation by the Bank. The standard which the Bank did not early adopt will primarily have an effect on the classification and measurement of the Bank's financial assets. The Bank is currently assessing the impact of adopting TFRS 9. However, as the impact of adoption depends on the assets held by the Bank at the date of adoption itself, it is not practical or possible to quantify the effect at this stage. As of the date of these financial statements, the other TAS/TFRS standards announced but not yet effective are not expected to have significant impact on the Bank's accounting policies, financial position and performance.

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of December 31, 2014 (continued)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**Accounting policies (continued)**

**Additional paragraph for convenience translation into English:**

The differences between accounting principles, as described in the preceding paragraphs, and accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

**II. Explanations on strategy of using financial instruments and foreign currency transactions:**

The general strategy of the Bank in using financial instruments is to sustain an optimal balance between the yield of the instruments and their risks. The most important funding source of the Bank is deposits. The Bank is also sustaining a lengthened liability structure by using long-term foreign and local currency borrowings from domestic and international investors and financial institutions. Funds obtained from deposits and other sources are invested in quality financial assets in order to keep currency, interest rate and liquidity risks within the limits determined by the asset-liability strategy. The currency, interest and liquidity risks of on-balance sheet and off-balance sheet assets and liabilities are managed accordingly within the risk limits accepted by the Bank and the related legal limits. Derivative instruments are mainly utilized for liquidity needs and for mitigating currency and interest rate risks. The position of the Bank as a result of foreign currency activities is being held at minimum levels and the currency risk exposure is followed within the determined levels by the Board of Directors, by considering the limits specified by the Banking Act.

Foreign currency denominated monetary assets and liabilities are translated with the exchange rates prevailing at the balance sheet date. Gains and losses arising from such valuations are recognized in the income statement under the account of "Foreign exchange gains or losses", except for valuation differences arising from foreign currency participations, subsidiaries and foreign currency non-performing loans. Since the foreign currency investments and subsidiaries are considered as non-monetary items, they are translated with the exchange rates at the date when the fair values are remeasured and are accounted under shareholders equity. Foreign currency non-performing loans are translated with the exchange rates at the date of transfer to non-performing loans accounts.

The Bank classifies its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition.

**III. Explanations on investments in associates, subsidiaries and joint ventures:**

Investments in associates, subsidiaries and joint ventures are accounted for in accordance with the Turkish Accounting Standard 39 (TAS 39) "Financial Instruments: Recognition and Measurement" in the unconsolidated financial statements. Investments in subsidiaries quoted on organized markets or for which their fair values can be reliably measured, are accounted for at their fair values. While calculating the fair value of foreign currency denominated subsidiaries, exchange rate at the valuation date is used. Differences arising from the revaluation of the subsidiaries are accounted for in the line item "Marketable Securities Valuation Differences" under equity. Investments in subsidiaries, associates and joint ventures which are not quoted on organized markets or which their fair values cannot be reliably measured, are accounted for at their historical cost less allowance for impairment, if any.

**IV. Explanations on forward and options contracts and derivative instruments:**

The Bank's derivative transactions mostly include money and interest rate swaps, forward foreign exchange purchase and sale transactions and options.

Derivative instruments are measured at fair value on initial recognition and subsequently remeasured at their fair values. As a result, the fair value of derivatives is reflected as net liability or net asset on a contract by contract basis. The accounting method applied to the income or loss arising from derivative instruments depends on whether the derivative is being used for hedging purposes or not and depends on the type of item being hedged.

At the transaction date, the Bank documents the relationship between hedging instruments and hedged items, together with the risk management policies and the strategies on hedging transactions. Besides, the Bank regularly documents the effectiveness of the hedging instruments in offsetting the changes in the fair value of the hedged items.

Changes in the fair value of derivative instruments subject to fair value hedges are recognized under profit or loss accounts together with the variation in the fair value of hedged items. The changes of fair value of derivative transactions for fair

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of December 31, 2014 (continued)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

value hedge are classified in "Derivative Financial Transactions Gains/Losses" account. In the balance sheet, changes in the fair value of hedged assets and liabilities, during the period in which the hedge is effective, are shown with the related assets and liabilities. The ineffective portion of the mentioned hedging transaction is reflected to the income statement. If the underlying hedge does not conform to the hedge accounting requirements, according to the adjustments made to the carrying value (amortised cost) of the hedged item, for which the risk is hedged by a portfolio hedge, are amortized with the straight line method within the time to maturity and recognized under the profit and loss accounts. Fair value adjustments are recognized directly in the income statement in an event of repayment and/or unwinding and/or derecognition of the hedged item.

The Bank hedges its cash flow risk arising from foreign currency and Turkish Lira floating interest rate liabilities by using interest rate swaps. The effective portion of the fair value changes of the hedging instruments are recorded in "Hedging funds" under shareholders' equity. These funds are transferred to profit or loss from equity when the cash flows of the hedged items (interest expense) impact the income statement.

In case the cash flow hedge accounting is discontinued due to the expiry, realization for sale of the hedging instrument, or due to the results of the effectiveness test the amounts accounted under shareholders' equity are transferred to the profit and loss accounts as these cash flows of the hedged item are realized.

Some of the trading purpose derivative transactions, even though they provide effective economic hedges under the Bank's risk management policy, do not qualify for hedge accounting under the specific rules in "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement ("TAS 39")" and are therefore treated as "financial instruments at fair value through profit or loss".

"Financial instruments at fair value through profit or loss" are measured at fair value. If the fair value of derivative financial instruments is positive, it is disclosed under the main account "financial assets at fair value through profit or loss" in "derivative financial assets held for trading" and if the fair value difference is negative, it is disclosed under "derivative financial liabilities held for trading". Fair value changes are recorded under "Derivative Financial Transactions Gains/(Losses)" in the income statement.

The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

Parameters used for the valuation of the option portfolio are determined by market risk management and the confirmation of the accuracy of fair value calculations are monitored periodically by market risk management.

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts as their contractual values. Embedded derivatives are separated from the host contract and accounted as derivative instruments according to TAS 39 in case (i) the related embedded derivative's economic features and risks are not closely related to the host contract, (ii) another instrument that has the same contract conditions with the embedded derivative satisfies the definition of a derivative instrument and (iii) the hybrid instrument is not carried at fair value through profit or loss.

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of December 31, 2014 (continued)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**Accounting policies (continued)**

Credit derivatives are capital market tools designed to transfer credit risk from one party to another.

As of December 31, 2014, the Bank's credit derivatives portfolio included in the off-balance sheet accounts is composed of credit linked notes (embedded derivatives are separated from host contract in line with TAS 39 and recorded as credit default swaps) and credit default swaps.

Credit linked notes are bonds that have repayments depending on a credit event or the credit risk evaluation of a reference asset or asset pool. Depending on whether the reference assets are included in the balance sheet of the issuer or the owner of the assets, these transactions can be accounted by the party assuming the credit risk as insurance or as an embedded derivative. As per the Bank's management evaluation, the embedded derivatives included in the credit linked notes are separated from the host contracts in accordance with TAS 39 and recorded and evaluated as credit default swaps. The bond itself (host contract) is valued in accordance with the valuation principles of the category it is classified. Credit default swaps are contracts, in which the seller commits to pay the contract value to the buyer in case of certain credit risk events in return for the premium paid by the buyer for the contract.

Credit default swaps are valued daily by the valuation model of the Bank and then accounted over their fair values; while credit linked notes are valued and accounted monthly.

Market risks of these products are monitored using the Bank's internal modeling system for the Value-at-Risk and basis points sensitivity analysis; the liquidity risks are monitored using the short term liquidity report on daily and the long term liquidity report on monthly basis.

According to the regulations of BRSA, currency exchange transactions, which are realized at value date in the initial phase of currency swaps, are recorded and followed as irrevocable commitments in off-balance sheet accounts until the value date.

A Credit Valuation Adjustment (CVA) is applied to the Bank's over-the-counter derivative exposures to take into account the counterparty's risk of default when measuring the fair value of the derivative. CVA is the mark-to-market cost of protection required to hedge credit risk from counterparties in the Bank's over-the-counter derivatives portfolio. The Bank calculates CVA based on collective provisioning methodology calculated in accordance with Turkish Accounting Standards, TAS 39, comprising the product of Exposure, Probability of Default (PD) and Loss Given Default (LGD). CVA is calculated based on the exposure of each counterparty.

**V. Explanations on interest income and expense:**

Interest income and expenses are recognized in the income statement on an accrual basis by using the effective interest method periodically. The Bank ceases accruing interest income on non-performing loans and any interest income accruals from such receivables are reversed and no income is accounted until collection is made according to the related regulation.

**VI. Explanations on fee and commission income and expenses:**

Fees and commissions received as a result of the service agreements or arising from negotiating or participating in the negotiation of a transaction on behalf of a third party are recognized either in the period when the transaction is realized or deferred based on the type of the underlying transaction. Other commission income and fees from various banking services are recorded as income at the time of realization.



**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of December 31, 2014 (continued)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**Accounting policies (continued)**

**VII. Explanations on financial assets:**

The Bank classifies and accounts its financial assets as "fair value through profit or loss", "available-for-sale", "loans and receivables" or "held-to-maturity". The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Bank management, taking into consideration the purpose of holding the investment. Regular purchases and sales of financial assets are recorded based on settlement date. Settlement date of a financial asset is the date that the asset is received or delivered by the Bank. Settlement date accounting requires; (a) accounting for the financial asset when the asset is received and (b) accounting of disposal of the financial asset and recording the related profit and loss when the asset is delivered. The fair value changes of an asset to be acquired between the trade date and settlement date is accounted in accordance with the basis of valuation of assets.

**a. Financial assets at fair value through profit or loss:**

Financial assets, which are classified as "Financial assets at fair value through profit or loss", are trading financial assets and are either acquired for generating profit from short-term fluctuations in the price or dealer's margin, or are financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Trading financial assets are initially recognized at fair value and are subsequently re-measured at their fair value. However, if fair values cannot be obtained from active market transactions, it is assumed that the fair value cannot be measured reliably and fair values are calculated by alternative models. All gains and losses arising from these valuations are recognized in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

Derivative financial instruments are treated as trading financial assets unless they are designated as hedge instruments. The principles regarding the accounting of derivative financial instruments are explained in detail in Note IV of this section.

**b. Held-to-maturity financial assets:**

Held-to-maturity financial assets are non-derivative financial assets other than loans and receivables, with fixed maturities and fixed or determinable payments where management has the intent and ability to hold the financial assets to maturity and that are not initially classified as financial assets at fair value through profit/loss or available for sale. Held-to-maturity financial assets are initially recognized at total of acquisition and transaction cost. Held-to-maturity securities are carried at "Amortized cost" using the "Effective interest method" after their initial recognition. Interest income related with held-to-maturity securities is recorded in "Interest income" and impairment arising from a decrease in cost or revalued amounts is recorded in "Provision for impairment of loans and other receivables" accounts.

There are no financial assets that were previously classified as held-to-maturity but cannot be subject to this classification for two years due to breach of classification principles. In accordance with TAS 39, sales or reclassification to available for sale portfolio of insignificant amount of financial assets, sale or reclassification to available for sale portfolio of financial assets which are close to maturity less than three months, or sale or reclassification to available for sale portfolio of assets as a result of significant increase in the risk weights of held-to-maturity investments used for regulatory risk-based capital purposes will not result in tainting.

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of December 31, 2014 (continued)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**Accounting policies (continued)**

**c. Loans and receivables:**

Loans and receivables are financial assets raised through lending without having the intention to trade in the short term. Loans and receivables are non derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted on active market. Loans and receivables are recognized initially at cost including transaction costs (which reflect fair values) and subsequently carried at the amortized cost using the "effective interest method". The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognized in the expense accounts.

Retail, commercial and corporate loans included in cash loans are accounted for with their original maturities in accounts which are mentioned in the Uniform Chart of Accounts ('UCA'). Foreign currency indexed loans are initially measured at local currency accounts with the foreign exchange rate prevailing at date of the initial recognition and re-valued with the relevant foreign currency rates prevailing at the date of the financial statements. Increase or decrease in the value of the principal amount of the loan due to changes in foreign exchange rates is accounted in the related income and expense accounts. Repayment amounts are translated with the foreign exchange rates prevailing at the repayment dates and the valuation differences is accounted for in foreign exchange gain/loss accounts.

The Bank provides general and specific provisions based on the assessments and estimates of the management, by considering the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") published in the Official Gazette No. 26333 dated November 1, 2006. In this context, the management estimates are determined, on the basis of the prudence principle and Bank credit risk policies, considering the general structure of the loan portfolio, the financial conditions of the customers, non-financial information and the economic conjuncture.

Provision expenses are deducted from the net income of the year. If there is a subsequent collection from a receivable that was already provisioned in previous years, the recovery amount is classified under "other operating income". Uncollectible receivables are written-off after all the legal procedures are finalized.

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of December 31, 2014 (continued)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**Accounting policies (continued)**

**d. Available-for-sale financial assets:**

Available-for-sale financial assets are defined as financial assets other than the ones classified as "Loans and receivables", "Held-to-maturity assets" or "Financial assets at fair value through profit or loss".

Available-for-sale financial assets are subsequently re-measured at fair value. When fair values based on market prices cannot be obtained reliably, the available-for-sale financial assets are carried at fair values determined by using alternative models. Available for sale equity securities which are not quoted on a market and the fair values of which cannot be determined reliably, are carried at cost less any impairment. "Unrealized gains and losses" arising from changes in the fair value of financial assets classified as available-for-sale are recognized in the shareholders' equity as "Marketable securities valuation differences", until the related assets are impaired or disposed. When these financial assets are disposed or impaired, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement. Interest and dividends received from available for sale assets are recorded in interest income and dividend income as appropriate.

Interest income on available for sale financial assets are calculated by effective interest rate method and are accounted for in interest income account. At the time of sale of an available for sale financial assets before the maturity, the difference between the profit, which is the difference between the cost and sales price of the financial assets, and the interest income accrual are accounted under UCA.

**VIII. Explanations on impairment of financial assets:**

The existence of objective evidence whether a financial asset or group of financial assets is impaired, is assessed at each balance sheet date. If such evidence exists, impairment provision is provided based on the financial assets classification.

Impairment for held to maturity financial assets carried at amortized cost is calculated as the difference between the expected future cash flows discounted at the effective interest rate method and the carrying value. The impairment amount transferred from shareholders' equity to profit or loss for available for sale securities is calculated as the difference between the purchase cost (after deduction of principal repayments and redemption) and the fair value less any impairment that was previously recorded in profit or loss. This amount is recorded in expense accounts in accordance with the UCA.

The principles for the accounting of provisions for loans and receivables are explained in Note VII. of this section.

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of December 31, 2014 (continued)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**Accounting policies (continued)**

**IX. Explanations on offsetting financial assets:**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Bank has a legally enforceable right to offset the recognized amounts and to collect/pay related financial assets and liabilities on a net basis, or there is an intention to realize the asset and settle the liability simultaneously.

**X. Explanations on sales and repurchase agreements and securities lending transactions:**

Securities subject to repurchase agreements ("Repos") are classified as "at fair value through profit or loss", "Available-for-sale" and "Held-to-maturity" according to the investment purposes of the Bank and measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under "Funds provided under repurchase agreements" in liabilities and the difference between the sale and repurchase price is accrued over the life of the repurchase agreements using the "Effective interest method". Interest expense on repo transactions are recorded under "Interest expense on money market transactions" in the income statement.

Funds given against securities purchased under agreements to resell ("Reverse repo") are accounted under "Receivables from reverse repurchase agreements" on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the effective interest method.

The Bank has no securities lending transactions.

**XI. Information on assets held for resale and related to discontinued operations and explanations on liabilities related with these assets:**

According to the TFRS 5, a tangible asset (or a group of assets to be disposed) classified as "Asset held for resale" is measured at lower of carrying value and fair value less costs to sell. An asset (or a group of assets to be disposed) is regarded as "Asset held for resale" only when the sale is highly probable and the asset (or a group of assets to be disposed) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively in the market at a price consistent with its fair value.

Additionally, assets that were acquired due to non-performing receivables are accounted in the financial statements in accordance with the "Communiqué Regarding the Principles and Procedures for the Disposals of Immovables and Commodities Acquired due to Receivables and for Trading of Precious Metal" published in the Official Gazette dated November 1, 2006, No. 26333 and classified as assets held for resale.

A discontinued operation is a part of the Bank's business classified as sold or held for sale. The operating results of the discontinued operations are disclosed separately in the income statement.

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of December 31, 2014 (continued)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**Accounting policies (continued)**

**XII. Explanations on goodwill and other intangible assets:**

**a. Goodwill:**

The excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities or contingent liabilities of the acquired subsidiary at the date of acquisition of the control is recorded as goodwill and represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognized. The acquirer also recognizes assets that are capable of being individually identified and separately recognized, intangible assets (e.g. credit card brand value, deposit base and customer portfolio) and contingent liabilities at fair value, irrespective of whether the asset had been recognized by the acquiree before the business combination, if it can be distinguished from the goodwill and if the asset's fair value can be measured reliably.

In line with "Turkish Financial Reporting Standard for Business Combinations" ("TFRS 3"), the goodwill is not subject to amortization but is tested annually or more frequently for impairment and carried at cost less accumulated impairment losses, if any, in line with "Turkish Accounting Standard for Impairment on Assets" ("TAS 36").

**b. Other intangible assets:**

Intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated amortization and the provision for impairment.

The Bank evaluates the possibility of existence of impairment of intangible assets at the end of each reporting period. If there is an evidence of impairment, the Bank estimates a recoverable amount in accordance with the Turkish Accounting Standard (TAS 36) "Impairment of Assets". The recoverable amount is the higher of net sales price or the value in use. When the book value of another intangible asset exceeds the recoverable amount, the related asset is considered to be impaired. If there is no evidence of impairment, there is no need to estimate the recoverable amount.

Intangibles are amortized over their estimated useful lives using the straight-line method. The useful life of the asset is determined by assessing the expected useful life of the asset, technical, technological and other kinds of obsolescence and all required maintenance expenses necessary to utilize the economic benefit from the asset. The rates used are presented below:

|  |     |
|--|-----|
| Credit card brand value, deposit base and customer portfolio | 10% |
| Other intangible assets                                      | 20% |

**XIII. Explanations on property and equipment:**

Property and equipment is measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement in accordance with the Turkish Accounting Standard (TAS 16) "Tangible Assets". Subsequently, properties and equipments, except art objects and paintings, are carried at cost less accumulated depreciation and provision for impairment. The Bank adopted a revaluation method for its art objects and paintings in tangible assets in accordance with TAS 16.

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of December 31, 2014 (continued)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**Accounting policies (continued)**

Depreciation is calculated over the cost of property and equipment using the straight-line method. The rates used are stated below:

|   |     |
|---|-----|
| Buildings   | 2%  |
| Movables, movables acquired under financial leasing | 20% |

The depreciation charge for items remaining in property and equipment for less than a full accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment.

In accordance with the Turkish Accounting Standard 36 (TAS 36) "Impairment of Assets", where the carrying amount of an asset is greater than its estimated "recoverable amount", it is written down to its "recoverable amount" and the provision for impairment is charged to the income statement.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales proceeds.

Expenditures for the repair and maintenance of property and equipment are recognized as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalized on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs.

**XIV. Explanations on leasing transactions:**

The Bank performs financial and operational leasing in the capacity of the lessee.

**Financial lease**

The Bank includes the lower of the market value of the fixed asset subject to financial leasing in the beginning of the financial leasing period or present value of the lease payments in property and equipment and records the liabilities arising from financial leasing in liabilities. Financing costs arising due to leasing are spread through the lease period forming a fixed interest rate. In addition, fixed assets that are obtained by the way of financial leasing are subject to depreciation based on their useful lives. If a decrease in the value of fixed assets that are subject to financial leasing is noticed, impairment provision is recognized. The liabilities arising from financial leasing contracts are accounted under "Financial lease payables". Expenses arising from interest and exchange rate changes related to financial leasing liabilities are charged to the income statement. Lease payments are deducted from financial leasing payables. The Bank does not perform financial leasing operations as "Lessor".

**Operational lease**

Leases, in which the majority of risk and return of property belongs to lessor, are classified as operational lease. Payments that are made under operational leases, are accounted in income statements on a straight line basis during the lease period.

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of December 31, 2014 (continued)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**Accounting policies (continued)**

**XV. Explanations on provisions, contingent liabilities:**

Provisions and contingent liabilities, except for the specific and general provisions recognized for loans and other receivables, are accounted in accordance with the "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets" ("TAS 37").

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions for contingent liabilities arisen from past events are recognized in the period of occurrence in accordance with the "Matching principle". A provision is recognized when it is probable that the contingent event will occur and a reliable estimate can be made. When a reliable estimate of the amount of obligation cannot be made or it is not probable that an outflow of resources will be required to settle the obligation, it is considered that a "contingent" liability exists and it is disclosed in the related notes to the financial statements.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

**XVI. Explanations on obligations related to employee rights:**

**a. Employee termination benefits**

Obligations related to employee termination and vacation rights are accounted for in accordance with "Turkish Accounting Standard for Employee Rights" ("TAS 19") and are classified under "Reserve for employee rights" account in the balance sheet.

Under the Turkish Labour Law, the Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labour Law. The reserve for employment termination benefits represents the present value of the estimated total liability for the future probable obligation of the Bank determined by using certain actuarial assumptions. Actuarial gains and losses generated after January 1, 2013, are accounted for under equity in accordance with the revised TAS 19 standard.

**b. Pension rights**

The Bank's personnel are members of the Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı Vakfı ("the Fund") which was established in accordance with the 20th temporary article of the Social Security Law No.506. The technical financial statements of the Fund are audited in accordance with the Article 38 of the Insurance Supervision Law and the "Regulation Regarding the Actuaries" by a registered independent actuary.

Temporary article 23 paragraph 1 of the Banking Act published in the Official Gazette No. 25983 dated November 1, 2005 stated that foundations like the Fund are to be transferred to the Social Security Institution ("SSI") within three years beginning from the publication date of the article.

The article of the Law related to the transfer was cancelled (pursuant to the application by the President on November 2, 2005) by the decision of Constitutional Court (decision no: E.2005/39, K. 2007/33 dated March 22, 2007) published in the Official Gazette No. 26479 dated March 31, 2007, and the effect of the law article was suspended from the date of the publication of the decision.

The reasoning of the Constitutional Court regarding the abrogation of the corresponding article was published in the Official Gazette dated December 15, 2007, No 26372. With the publication of the reasoning of the decision, the Grand National Assembly of Turkey ("GNAT") started to work on new legal arrangements regarding the transfer of the fund members to SSI and the related articles of the "Law Regarding the Changes in Social Insurance and General Health Insurance Law and Other Related Laws and Regulations" No 5754 ("the New Law") regulating the transfer of the funds were approved by the GNAT on April 17, 2008. The New Law was published in the Official Gazette No. 26870 dated May 8, 2008. With the new law, the banks' pension funds will be transferred to SSI within three years from the date of publication of the decree and this period can be extended for a maximum of two years with the

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of December 31, 2014 (continued)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**Accounting policies (continued)**

decision of the Council of Ministers. The transfer period was extended for another two years with the decision of the Council of Ministers No. 2011/1559 published in the Official Gazette dated April 9, 2011. According to the "Amendment of Social Insurance and General Health Insurance Law No. 6283" published in the Official Gazette dated March 8, 2012, Council of Ministers was authorized to increase the two-year extension period mentioned above to four years. According to the decision of The Council of Ministers dated February 24, 2014, the transfer date is set as May 2015.

A commission (whose members are the representatives of the SSI, the Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA, Saving Deposit Insurance Fund ("SDIF"), one member representing the Fund and one member representing the Fund members) is in charge of the calculation of the value of the payment that would need to be made to SSI to settle the obligation using a technical interest rate of 9,8% by law taking into consideration income and expenses by insurance branches of the funds and the excess of salaries and income paid by the funds over the salaries and income to be paid in accordance with the SSI arrangements which should not be less than SSI arrangements, related to the members of the Fund as of the date of the transfer including the members who have left the scheme.

In accordance with the New Law, after the transfer to SSI, any social rights and payments to Fund members and their beneficiaries which are not provided although they are included in the Fund Title Deed will continue to be provided by the Fund and the employers of the Fund members.

The Bank accounts for a provision for the technical deficit based on the report prepared by a registered actuary in accordance with the rates determined by the New Law.

**c. Short term benefits of employee:**

Within the scope of TAS 19, the Bank measures the expected costs of accumulated paid leaves as expected payments it will make due to unused leave rights as at the end of the reporting date.

**XVII. Explanations on taxation:**

**a. Current tax:**

The Corporate Tax rate is 20% in accordance with the article number 32 of the New Corporate Tax Law no.5520 which is published in the official Gazette dated June 21, 2006 and numbered 26205. This tax rate is applied to accounting income modified for certain exemptions and deductions, and additions for certain non-tax deductible expenses and allowances for tax purposes. No further tax is payable unless the profit is distributed.



**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of December 31, 2014 (continued)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**Accounting policies (continued)**

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case.

Corporations are required to pay advance corporate tax quarterly at a rate of 20% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

A 75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder's equity for five years.

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Tax returns are required to be filled and delivered to the related tax office until the evening of the 25th of the fourth month following the balance sheet date and the accrued tax is paid until the end of the same month. Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

**b. Deferred tax:**

The Bank calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12") and in accordance with BRSA's explanations and circulars and the tax legislation, the Bank calculates deferred tax on deductible temporary differences except for general loan loss provisions, to the extent that future taxable income is estimated to be available. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date.

Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that future taxable profit will be available against which the deferred tax asset can be utilised.

The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements.

Tax effects of the transactions that are directly accounted under equity are also reflected to equity.

Additionally, in accordance with the related legislation of BRSA, deferred tax effect, if income, is not eligible for dividend distribution and share capital increase.

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of December 31, 2014 (continued)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**Accounting policies (continued)**

**c. Transfer pricing:**

The article no.13 of the Corporate Tax Law No.5520 describes the issue of transfer pricing under the title of "disguised profit distribution" by way of transfer pricing (previously included as "Disguised profit" in the Corporate Tax Law No.5422). "The General Communiqué on Disguised Profit Distribution by Way of Transfer Pricing" published at November 18, 2007/26704, explains the application related issues on this topic effective from January 1, 2007, also taking into account the regulations in Article 41 of the Income Tax Law.

"Arm's length principle", which is the basis for the transfer pricing rule, is the pricing system to be followed for purchase or sale activities between related parties for any product or service transactions as if the transaction is realized with any other third party. According to this communiqué, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm's length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes.

As discussed in the relevant section of this communiqué, the taxpayers are required to fill out the "Transfer Pricing, Controlled Foreign Entities and Thin Capitalization" form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

**XVIII. Explanations on borrowings:**

The financial liabilities classified at fair value through profit/loss, trading and derivative financial liabilities are valued with their fair values and the other financial liabilities are carried at "amortised cost" including costs of transactions using the "effective interest method".

The Bank classifies some of its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition. For the related liabilities until the maturity, the Bank presents interest expenses paid and the difference between amortized cost and acquisition cost in the interest expense, the difference between the fair value of the financial liabilities and amortized cost presents under the trading gain/(loss) in the income statement.

The Bank utilises various hedging techniques to minimise the currency, interest rate and liquidity risks of its financial liabilities. No convertible bonds have been issued by the Bank.

Also, the Bank obtains funds by issuing bonds and bills.

**XIX. Explanations on issuance of share certificates:**

When shares are issued above their nominal value, the excess over the nominal value is accounted under shareholders' equity as "Share premium".

No dividend payments were announced after the balance sheet date.

**XX. Explanations on avalized drafts and letter of acceptances:**

Avalized drafts and acceptances are included in the "Off-balance sheet commitments".

**XXI. Explanations on government grants:**

In accordance with the related articles of the "Law Regarding the Supporting of Research and Development Activities" numbered 5746, until balance sheet date, the Bank received government grant from TÜBİTAK amounting to TL 1.585 (December 31, 2013 - TL 1.203).

**Yapı ve Kredi Bankası A.Ş.****Notes to unconsolidated financial statements as of December 31, 2014 (continued)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**Accounting policies (continued)****XXII. Profit reserves and profit distribution:**

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below. Legal reserves consist of first and second reserves as foreseen in the TCC. The TCC specifies that the first legal reserve is appropriated at the rate of 5% until the total reserve is equal to 20% of paid-in capital and that the second legal reserve is appropriated at the rate of 10% of distributions in excess of 5% of paid-in capital; however holding companies are not subject to this application. According to the Turkish Commercial Code, legal reserves can only be used to compensate for accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

**XXIII. Earnings per share:**

Earnings per share disclosed in the income statement are calculated by dividing net profit/(loss) for the year to the weighted average number of shares outstanding during the period concerned.

|  | Current Period | Prior Period  |
|--|----------------|---------------|
| Net Income/(loss) from continuing operations to be appropriated to ordinary shareholders | 1.844.966      | 2.030.540     |
| Weighted average number of issued ordinary shares(thousand)                              | 434.705.128    | 434.705.128   |
| <b>Earnings per share from continued operations (full TL)</b>                            | <b>0,0042</b>  | <b>0,0047</b> |

|  | Current Period | Prior Period  |
|--|----------------|---------------|
| Net Income/(loss) from continuing operations to be appropriated to ordinary shareholders | -              | 1.172.435     |
| Weighted average number of issued ordinary shares(thousand)                              | -              | 434.705.128   |
| <b>Earnings per share from continued operations (full TL)</b>                            | <b>-</b>       | <b>0,0027</b> |

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. These bonus shares are treated as issued shares in earnings per share computations. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year is adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect. In case bonus shares are distributed after the balance sheet date but before the preparation of the financial statements, earnings per share is calculated considering the new number of shares.

No bonus shares were issued during 2014 (December 31, 2013 - no bonus shares were issued).

**XXIV. Related parties:**

For the purpose of these financial statements, shareholders having control shares of the Bank, key management personnel and Board Members together with their families and companies controlled by/affiliated with them, associated companies and joint ventures and the Fund providing post employment benefits are considered and referred to as related parties in accordance with "Turkish Accounting Standard for Related Parties" ("TAS 24"). The transactions with related parties are disclosed in detail in Note VII of Section Five.

**XXV. Explanations on operating segments:**

Information about operating segments which are determined in line with "Turkish Financial Reporting Standard about Operating Segments" ("TFRS 8") together with organizational and internal reporting structure of the Bank, are disclosed in Note XV of Section Four.

**XXVI. Explanations on other matters:**

None.

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements as of December 31, 2014 (continued)

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

#### Section Four: Information related to financial position of the Bank

##### I. Explanations on capital adequacy ratio:

- a. The capital adequacy ratio of the Bank is 15,03% (December 31, 2013 – 16,00%).
- b. The capital adequacy ratio is calculated in accordance with the "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy Ratio", "Regulation Credit Risk Mitigation Techniques", "Regulation on calculation of Risk-Weighted Amounts of Securitizations" published in the Official Gazette No. 28337 dated June 28, 2012 and "Regulation Regarding Banks' Shareholders' Equity" published in the Official Gazette No. 28756 as of September 5, 2013".

For the calculation of amounts subject to credit risk, the Bank classifies the loans in the related risk weight taking into consideration the risk classes, ratings and the risk mitigating factors. "Comprehensive collateral method" is used in considering the risk mitigating factors for the banking and trading book.

For the calculation of capital adequacy ratio; financial information, which is prepared in accordance with the current regulations, is used. Within the scope of this Regulation, trading books and banking books are defined and they become subject to credit risk and market risk calculations. In addition, market risk and operational risk calculations are included in the calculation of the capital adequacy ratio, in accordance with the existing regulation.

Amounts taken into consideration as deduction items are subject to credit risk calculations. Assets subject to amortization or impairment are taken into consideration after relevant nettings over their net book values for the calculation of risk-weighted assets.

In the calculation of the value at credit risk for non-cash loans and commitments, the receivables from counterparties in such transactions are weighted after netting with specific provisions that are classified under liabilities and calculated based on the Provisioning Regulation. The net amounts are then multiplied by the rates stated in the Article 5 of the Regulation and included in the relevant exposure category defined in the Regulation.

In accordance with Article 5 of the Regulation, counterparty credit risk is calculated for repo transactions, securities and commodities. The "Fair Value Valuation Method" mentioned in the communiqué is used for the counterparty credit risk calculations.

In the calculation of the value at credit risk for the derivative financial instruments which are in banking books, the receivables from counterparties are multiplied by the rates stated in the Regulation, reduced as per the "Regulation on Credit Risk Mitigation Techniques" and then included in the relevant exposure category defined in Regulation.

**Yapı ve Kredi Bankası A.Ş.****Notes to unconsolidated financial statements as of December 31, 2014 (continued)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**Information related to financial position of the Bank (continued)****Information related to capital adequacy ratio:**

|  | Risk Weights |           |            |            |            |           |            |           |             |
|--|--------------|-----------|------------|------------|------------|-----------|------------|-----------|-------------|
|  | 0%           | 20%       | 50%        | 75%        | 100%       | 150%      | 200%       | 250%      | Total       |
| Amounts subject to credit risk   | 41.218.048   | 6.206.895 | 25.726.733 | 39.453.298 | 85.215.409 | 3.496.976 | 8.330.515  | 702.203   | 210.350.077 |
| Risk classifications:  |              |           |            |            |            |           |            |           |             |
| Conditional and unconditional receivables from central governments or central banks                | 38.862.292   | -         | 4.761.168  | -          | -          | -         | -          | -         | 43.623.460  |
| Conditional and unconditional receivables from regional or local governments                       | -            | 149       | -          | -          | -          | -         | -          | -         | 149         |
| Conditional and unconditional receivables from administrative units and non-commercial enterprises | -            | -         | -          | -          | 1.067      | -         | -          | -         | 1.067       |
| Conditional and unconditional receivables from multilateral development banks                      | 4.853        | -         | -          | -          | -          | -         | -          | -         | 4.853       |
| Conditional and unconditional receivables from international organizations                         | -            | -         | -          | -          | -          | -         | -          | -         | -           |
| Conditional and unconditional receivables from banks and brokerage houses                          | -            | 6.202.643 | 5.225.344  | -          | 704.230    | -         | -          | -         | 12.132.217  |
| Conditional and unconditional receivables from corporates  | -            | -         | -          | -          | 74.798.145 | -         | -          | -         | 74.798.145  |
| Conditional and unconditional retail receivables   | -            | -         | -          | 39.375.796 | 4.343.969  | -         | -          | -         | 43.719.765  |
| Conditional and unconditional receivables secured by mortgages                                     | -            | -         | 15.738.768 | -          | -          | -         | -          | -         | 15.738.768  |
| Past due receivables   | -            | -         | -          | 77.502     | 708.163    | 470.184   | -          | -         | 1.255.849   |
| Receivables defined as high risk category by the Regulator   | -            | -         | 1.453      | -          | 49.220     | 3.026.792 | 8.330.515  | 702.203   | 12.110.183  |
| Secured by mortgages   | -            | -         | -          | -          | -          | -         | -          | -         | -           |
| Securitization positions   | -            | -         | -          | -          | -          | -         | -          | -         | -           |
| Short-term receivables from banks, brokerage houses and corporates                                 | -            | -         | -          | -          | -          | -         | -          | -         | -           |
| Investments similar to collective investment funds   | -            | -         | -          | -          | -          | -         | -          | -         | -           |
| Other receivables  | 2.350.903    | 4.103     | -          | -          | 4.610.615  | -         | -          | -         | 6.965.621   |
| Credit Risk Weighted Amounts   | -            | 1.241.378 | 12.863.366 | 29.589.973 | 85.215.409 | 5.245.463 | 16.661.029 | 1.755.507 | 152.572.125 |

**Summary information about capital adequacy ratio:**

|  | Current Period    | Prior Period      |
|--|-------------------|-------------------|
| Capital Requirement for Credit Risk (Value at Credit Risk*0,08) (CRCR) | 12.205.770        | 10.042.902        |
| Capital requirement for market risk (MRCR)                             | 130.250           | 197.468           |
| Capital requirement for operational risk (ORCR)                        | 817.197           | 802.350           |
| <b>Shareholders' equity</b>  | <b>24.705.420</b> | <b>22.084.113</b> |
| <b>Shareholders' equity/((CRCR+MRCR+ORCR) * 12,5) * 100</b>            | <b>15,03</b>      | <b>16,00</b>      |
| <b>Tier 1 capital /((CRCR+MRCR+ORCR) * 12,5) * 100</b>                 | <b>10,94</b>      | <b>-</b>          |
| <b>Common equity Tier 1 capital /((CRCR+MRCR+ORCR) * 12,5) * 100</b>   | <b>11,62</b>      | <b>-</b>          |

**Yapı ve Kredi Bankası A.Ş.****Notes to unconsolidated financial statements as of December 31, 2014 (continued)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**Information related to financial position of the Bank (continued)****Information about shareholders' equity items:**

|   | <b>December 31,<br/>2014</b> |
|---|------------------------------|
| <b>Common Equity Tier 1 Capital</b>   |                              |
| Paid-in Capital to be Entitled for Compensation after All Creditors   | 4.347.051                    |
| Share Premium   | 543.881                      |
| Share Cancellation Profits  | -                            |
| Legal Reserves  | 10.457.954                   |
| Other Comprehensive Income according to TAS   | 2.214.422                    |
| Profit  | 1.844.966                    |
| Net Current Period Profit   | 1.844.966                    |
| Prior Period Profit   | -                            |
| Provisions for Possible Losses  | 160.839                      |
| Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit  | 15.107                       |
| <b>Common Equity Tier 1 capital before regulatory adjustments</b>   | <b>19.584.220</b>            |
| <b>Common Equity Tier 1 capital: regulatory adjustments</b>   |                              |
| Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)   | -                            |
| Leasehold Improvements on Operational Leases (-)  | 133.692                      |
| Goodwill and Intangible Assets and Related Deferred Tax Liabilities (-)   | 281.203                      |
| Net Deferred tax assets / liabilities (-)   | -                            |
| Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)  | -                            |
| Investments in own common equity (-)  | -                            |
| Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) | -                            |
| Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)         | -                            |
| Mortgage servicing rights (amount above 10% threshold) (-)  | -                            |
| Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) (-)   | -                            |
| Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)   | -                            |
| The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)                       | -                            |
| Mortgage servicing rights (amount above 10% threshold) (-)  | -                            |
| Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)   | -                            |
| Other items to be defined by the regulator (-)  | -                            |
| Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions (-)   | 63.027                       |
| <b>Total regulatory adjustments to Common equity Tier 1</b>   | <b>477.922</b>               |
| <b>Common Equity Tier 1 capital</b>   | <b>19.106.298</b>            |
| <b>Additional Tier 1 capital: instruments</b>   | -                            |
| Privileged stocks which are not included in common equity and share premiums  | -                            |
| Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (Issued or Obtained after 1.1.2014)  | -                            |
| Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (Issued or Obtained after 1.1.2014)  | -                            |
| <b>Additional Tier 1 capital before regulatory adjustments</b>  | -                            |
| <b>Additional Tier 1 capital: regulatory adjustments</b>  | -                            |
| Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)  | -                            |
| Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) | -                            |
| The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital (-)                        | -                            |
| Other items to be Defined by the regulator (-)  | -                            |
| Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions (-)  | -                            |
| <b>Total regulatory adjustments to Additional Tier 1 capital</b>  | -                            |
| <b>Additional Tier 1 capital</b>  | -                            |

**Yapı ve Kredi Bankası A.Ş.****Notes to unconsolidated financial statements as of December 31, 2014 (continued)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**Information related to financial position of the Bank (continued)****Regulatory adjustments to Common Equity**

|   |           |
|---|-----------|
| Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) | 1.124.812 |
| Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)                                | -         |

|                       |                   |
|-----------------------|-------------------|
| <b>Tier 1 capital</b> | <b>17.981.486</b> |
|-----------------------|-------------------|

**Tier 2 capital**

|  |           |
|--|-----------|
| Directly issued qualifying Tier 2 instruments (that are approved by the regülatör) plus related stock surplus (Issued or Obtained after 1.1.2014)  | -         |
| Directly issued qualifying Tier 2 instruments (that are approved by the regülatör) plus related stock surplus (Issued or Obtained before 1.1.2014) | 5.169.213 |
| Pledged sources on behalf of the Bank for the use of committed share capital increase by shareholders  | -         |
| Generic Provisions   | 1.883.267 |

|   |                  |
|---|------------------|
| <b>Tier 2 capital before regulatory adjustments</b> | <b>7.052.480</b> |
|---|------------------|

**Tier 2 capital: regulatory adjustments**

|  |   |
|--|---|
| Direct and Indirect Investments of the Bank on its own Tier II Capital (-)   | - |
| Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)  | - |
| The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-) | - |
| Other items to be Defined by the regulator (-)   | - |

|   |          |
|---|----------|
| <b>Total regulatory adjustments to Tier 2 capital</b> | <b>-</b> |
|---|----------|

|                       |                  |
|-----------------------|------------------|
| <b>Tier 2 capital</b> | <b>7.052.480</b> |
|-----------------------|------------------|

|                      |                   |
|----------------------|-------------------|
| <b>Total capital</b> | <b>25.033.966</b> |
|----------------------|-------------------|

|   |         |
|---|---------|
| Loans Granted against the Articles 50 and 51 of the Banking Law (-)   | 23.496  |
| Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)   | 7.908   |
| Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)   | 159.277 |
| Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)  | -       |
| Other items to be Defined by the regulator (-)  | 137.865 |
| The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)  | -       |
| The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)  | -       |
| The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-) | -       |

|                              |                   |
|------------------------------|-------------------|
| <b>Shareholders's equity</b> | <b>24.705.420</b> |
|------------------------------|-------------------|

|   |                |
|---|----------------|
| <b>Amounts below the thresholds for deduction</b> | <b>780.314</b> |
|---|----------------|

|   |         |
|---|---------|
| Remaining Total of Net Long Positions of the Investments in Own Fund Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital     | -       |
| Remaining total of net long positions of the investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank owns more than 10% or less of the Tier I Capital | -       |
| Remaining mortgage servicing rights   | -       |
| Net deferred tax assets arising from temporary differences  | 780.314 |

**Yapı ve Kredi Bankası A.Ş.****Notes to unconsolidated financial statements as of December 31, 2014 (continued)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**Information related to financial position of the Bank (continued)****Information about shareholders' equity items:**

|  | <b>December 31,<br/>2013</b> |
|--|------------------------------|
| <b>Core Capital</b>  |                              |
| Paid-in capital  | 4.347.051                    |
| Nominal capital  | 4.347.051                    |
| Capital commitments (-)  | -                            |
| Adjustment to paid-in capital  | -                            |
| Share premium  | 543.881                      |
| Share repeal   | -                            |
| Legal reserves   | 8.530.472                    |
| Adjustment to legal reserves   | -                            |
| Profit   | 3.202.975                    |
| Net current period profit  | 3.202.975                    |
| Prior period profit  | -                            |
| Provisions for possible losses up to 25% of core capital   | 190.112                      |
| Income on sale of equity shares and real estates <sup>(1)</sup>  | 298.614                      |
| Primary subordinated loans   | -                            |
| Loss (in excess of Reserves) (-)   | -                            |
| Net current period's losses  | -                            |
| prior periods' losses  | -                            |
| Leasehold Improvements on Operational Leases (-)   | 81.772                       |
| Intangible assets (-)  | 1.376.092                    |
| Deferred-assets for tax which exceeds 10% of core capital (-)  | -                            |
| Excess amount expressed in the Law (Article 56, 3rd paragraph) (-)   | -                            |
| <b>Total core capital</b>  | <b>15.655.241</b>            |
|  | <b>Prior Period</b>          |
| <b>Supplementary capital</b>   |                              |
| General reserves   | 1.470.671                    |
| 45% of increase in revaluation fund of movables  | -                            |
| 45% of increase in revaluation fund of fixed assets  | -                            |
| Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit   | 15.107                       |
| Primary Subordinated Debts excluding the portion included in Core Capital  | -                            |
| Secondary subordinated loans <sup>(2)</sup>  | 5.089.496                    |
| 45% of value increase fund of financial assets available for sale and associates and subsidiaries  | 218.684                      |
| Adjustment to paid-in capital, profit reserves and previous years losses(except adjustment to legal reserves)  | -                            |
| <b>Total supplementary capital</b>   | <b>6.793.958</b>             |
| <b>Capital</b>   | <b>22.449.199</b>            |
| <b>Deductions from the capital</b>   | <b>365.086</b>               |
| Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above  | 63.027                       |
| The sum of partnership share on banks and financial institutions (domestic and abroad), with shareholding of less than 10%, but exceeding 10% and more of the sum of core and supplementary capital of the bank  | -                            |
| Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan               | 162.443                      |
| Loans extended being noncompliant with articles 50 and 51 of the Law   | 3.203                        |
| Net book values of properties owned, exceeding 50% of banks' equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed | 6.638                        |
| Securitization positions that is deducted -preferably- from the shareholders' equity   | -                            |
| Other  | 129.775                      |
| <b>Total shareholders' equity</b>  | <b>22.084.113</b>            |

**Details on calculation in accordance with the temporary calculations on Own Fund:**

Adjustments to Common equity Tier 1 are performed according to the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.



**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of December 31, 2014 (continued)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**Information related to financial position of the Bank (continued)**

**Details on Subordinated Liabilities:**

| Details on Subordinated Liabilities:  |   |   |   |   |   |
|---|---|---|---|---|---|
|   | 1   | 2   | 3   | 4   | 5   |
| Issuer  | UNICREDIT BANK                                | BANK AUSTRIA                                  | MERRILL LYNCH                                 | CITIBANK                                      | YKB   |
| Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)            | -   | -   | -   | -   | XS0861979440/US984848AB73                     |
| Governing law(s) of the instrument  | BRSA  | BRSA  | BRSA  | BRSA  | BRSA/CMB/LONDON STOCK EXCHANGE                |
| Regulatory treatment  | Supplementary Capital                         | Supplementary Capital                         | Supplementary Capital                         | Supplementary Capital                         | Supplementary Capital                         |
| Transitional Basel III rules  | Yes   | Yes   | Yes   | Yes   | Yes   |
| Eligible at stand-alone / consolidated  | Stand-alone -Consolidated                     | Stand-alone -Consolidated                     | Stand-alone -Consolidated                     | Stand-alone -Consolidated                     | Stand-alone -Consolidated                     |
| Instrument type (types to be specified by each jurisdiction)                                | Loan  | Loan  | Loan  | Loan  | Bond  |
| Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date) | 1.317   | 1.090   | 223   | 220   | 2.319   |
| Par value of instrument   | 1.357   | 1.090   | 1.410   | 564   | 2.319   |
| Accounting classification   | Liability – Subordinated Loans-amortised cost | Liability – Subordinated Loans-amortised cost | Liability – Subordinated Loans-amortised cost | Liability – Subordinated Loans-amortised cost | Liability – Subordinated Loans-amortised cost |
| Original date of issuance   | January 9, 2013                               | November, 21 2013                             | March 31, 2006                                | June 25, 2007                                 | December 6, 2012                              |
| Perpetual or dated  | Dated   | Dated   | Dated   | Dated   | Dated   |
| Original maturity date  | 10 years                                      | 10 years                                      | 10 years                                      | 10 years                                      | 10 years                                      |
| Issuer call subject to prior supervisory approval   | Yes   | Yes   | Yes   | Yes   | Yes   |
| Optional call date, contingent call dates and redemption amount                             | After 5th year                                | After 5th year                                | -   | -   | After 5th year                                |
| Subsequent call dates, if applicable  | After 5th year                                | After 5th year                                | -   | -   | After 5th year                                |
| Coupons / dividends   | 3 months                                      | 3 months                                      | 6 months                                      | 6 months                                      | 6 months                                      |
| Fixed or floating dividend/coupon   | Fixed   | Fixed   | Floating                                      | Floating                                      | Fixed   |
| Coupon rate and any related index   | 5,5   | 6,35  | EURIBOR + %3                                  | EURIBOR + %2,78                               | 5,5   |
| Existence of a dividend stopper   | -   | -   | -   | -   | -   |
| Fully discretionary, partially discretionary or mandatory                                   | -   | -   | -   | -   | -   |

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of December 31, 2014 (continued)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**Information related to financial position of the Bank (continued)**

**Details on Subordinated Liabilities (continued):**

| Details on Subordinated Liabilities (continued):  |   |   |   |   |   |
|---|---|---|---|---|---|
|   | 1   | 2   | 3   | 4   | 5   |
| Existence of step up or other incentive to redeem   | -   | -   | -   | -   | -   |
| Noncumulative or cumulative   | Noncumulative   | Noncumulative   | Noncumulative   | Noncumulative   | Noncumulative   |
| Convertible or non-convertible  | None  | None  | None  | None  | None  |
| If convertible, conversion trigger (s)  | -   | -   | -   | -   | -   |
| If convertible, fully or partially  | -   | -   | -   | -   | -   |
| If convertible, conversion rate   | -   | -   | -   | -   | -   |
| If convertible, mandatory or optional conversion  | -   | -   | -   | -   | -   |
| If convertible, specify instrument type convertible into  | -   | -   | -   | -   | -   |
| If convertible, specify issuer of instrument it converts into   | -   | -   | -   | -   | -   |
| Write-down feature  | None  | None  | None  | None  | None  |
| If write-down, write-down trigger(s)  | -   | -   | -   | -   | -   |
| If write-down, full or partial  | -   | -   | -   | -   | -   |
| If write-down, permanent or temporary   | -   | -   | -   | -   | -   |
| If temporary write-down, description of write-up mechanism  | -   | -   | -   | -   | -   |
| Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | After the senior creditors, before the TIER 1 subdebt, same with TIER 2 | After the senior creditors, before the TIER 1 subdebt, same with TIER 2 | After the senior creditors, before the TIER 1 subdebt, same with TIER 2 | After the senior creditors, before the TIER 1 subdebt, same with TIER 2 | After the senior creditors, before the TIER 1 subdebt, same with TIER 2 |
| In compliance with article number 7 and 8 of "Own fund regulation"  | Yes   | Yes   | Yes   | Yes   | Yes   |
| Details of incompliances with article number 7 and 8 of "Own fund regulation"                                 | 8-2-ğ   | 8-2-ğ   | 8-2-ğ   | 8-2-ğ   | 8-2-ğ   |

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of December 31, 2014 (continued)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**Information related to financial position of the Bank (continued)**

**c. Approaches for assessment of adequacy of internal capital requirements for current and future activities**

Internal capital adequacy assessment process (ICAAP) is carried out by continuous assessment of the risks to which the bank is or might be exposed and it is aimed to identify and maintain sufficient capital to cover these risks. Within this scope relevant policies and procedures were prepared, systems and methods were developed. The Bank documented its approaches on the process of assessing the internal capital requirements in YKB ICAAP Policy and YKB Risk Appetite Framework documents which were approved by its Board of Directors. The target capital adequacy ratio set within the scope of this process is a significant determining factor of the Bank's risk appetite.

In accordance with this approach, risk types for which economic capital is calculated were defined and necessary procedures were started to perform calculations. This assessment includes the credit risk, market risk, operational risk, financial investment risk, real estate risk, liquidity risk, reputational risk, strategic risk, counterparty credit risk, concentration risk and interest rate risk. The Bank regularly reports ICAAP documentations to BRSA approved by the Board of the Directors.

**II. Explanations on credit risk:**

- a. Credit risk is the loss or the risk of the Bank in case counterparty cannot fulfill its obligations stated in agreements where the Bank is at a side. The Bank identifies loan limits for each customer considering statutory regulations, the internal scoring system, financial analysis reports and geographical and industry concentration and considering credit policies determined by Board of the Directors each year. The limits defined by the Bank's Board of Directors for each correspondent bank are followed-up daily by Treasury Management for the transactions related with placements with domestic and correspondent banks or treasury operations such as forward buy and sell transactions. Moreover, daily positions and limit controls of each dealer at Treasury department who is authorized for transactions in the market are performed by the system. During the loan granting process, liquid collaterals are preferred to the greatest extent possible. While granting of long term project finance loans, long term projections of the companies are analyzed both by financial analysis specialists and head office. Also the pricing of these commitments are decided by coordination with Treasury Management.

The Bank also monitors limitations on single borrower and group of borrowers in accordance with the regulations.

Loans and other receivables are monitored in terms of the credit worthiness of borrowers in accordance with the relevant legislation. In addition, the account status documents for new loans is controlled, and updated where if necessary.

Different rating systems are used for Small and Medium Sized Entities (SME) and Corporate/Commercial customers during the underwriting process of the Bank. A separate rating model is used for the customers which operate in construction industry. The Bank uses scorecard system for its retail and credit card customers for the underwriting and limit management processes. The scorecard system was internally developed, and being updated and approved regularly.

Credit granting authorization levels are also determined in accordance with the rating of the customer in SME segment. By using this methodology; it is aimed to establish risk based optimization of credit processes through assigning the lower rated customer to higher authority levels whereas assigning higher rated customer to lower authority levels.

**Yapı ve Kredi Bankası A.Ş.****Notes to unconsolidated financial statements as of December 31, 2014 (continued)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**Information related to financial position of the Bank (continued)**

Probability of default of a customer is calculated through this internally developed rating system. The rating concentration of Corporate/Commercial customers of the Parent Bank is as follows:

|                       | Current Period | Prior Period |
|-----------------------|----------------|--------------|
| Above average (1-4)   | %44,7          | %41,3        |
| Average (5+ -6)       | %47,1          | %51,7        |
| Below average (7+ -9) | %8,2           | %7,0         |

The Bank takes the following criteria into consideration for the accounting of impaired and past due loans:

- The loan is overdue more than 90 days.
- The borrower is not able to pay at least one of the loans he received from the Bank (cross default)
- Having a negative intelligence and bad-record for the borrower in the market.
- Deterioration of the creditworthiness of the borrower

The Bank sets aside specific and general provisions with respect to "value adjustments" procedures in accordance with the Provisioning Regulation.

**Total amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types, are disclosed below for the relevant period:**

| Risk classifications:  | Current period risk amount <sup>(1)</sup> | Average risk amount |
|--|---|---------------------|
| Conditional and unconditional receivables from central governments or central banks                | 45.795.728                                | 35.404.230          |
| Conditional and unconditional receivables from regional or local governments                       | 149                                       | 149                 |
| Conditional and unconditional receivables from administrative units and non-commercial enterprises | 1.067                                     | 964                 |
| Conditional and unconditional receivables from multilateral development banks                      | 4.853                                     | 4.803               |
| Conditional and unconditional receivables from international organizations                         | -   | -                   |
| Conditional and unconditional receivables from banks and brokerage houses                          | 12.071.992                                | 11.033.611          |
| Conditional and unconditional receivables from corporates  | 77.778.292                                | 65.303.164          |
| Conditional and unconditional retail receivables   | 43.992.755                                | 44.181.339          |
| Conditional and unconditional receivables secured by mortgages                                     | 15.738.768                                | 13.035.445          |
| Past due receivables   | 1.255.849                                 | 1.190.711           |
| Receivables defined as high risk category by the Regulator   | 12.148.089                                | 10.874.715          |
| Secured by mortgages   | -   | -                   |
| Securitization positions   | -   | -                   |
| Short-term receivables from banks, brokerage houses and corporates                                 | -   | -                   |
| Investments similar to collective investment funds   | -   | -                   |
| Other receivables  | 6.965.621                                 | 6.871.239           |
| <b>Total</b>   | <b>215.753.163</b>                        | <b>187.900.370</b>  |

(1) Includes credit risk amounts of total exposure before applying credit risk mitigations.

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of December 31, 2014 (continued)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**Information related to financial position of the Bank (continued)**

- b.** The Bank has control limits over the positions of forwards, options and similar agreements. These positions are measured and managed by following their market values and by taking potential risk into considerations throughout their maturities, in accordance with Counterparty Credit Risk management. Limits are also calculated and dynamically managed by taking these potential risks into considerations. Daily market value calculations, limit controls, collateral assessments are performed and reported to the relevant departments within the Bank.

The Bank may use its rights, as stated in the derivative agreements based on which the Bank realizes derivative transactions, in order to eliminate the credit risks that may arise due to being exposed to severe credit risk levels arising from fluctuations in the market.

- c.** In line with the Provisioning Regulation, if the cash risk of a customer is classified as nonperforming, the non-cash risk is also classified as nonperforming under the same group where the cash risks were already followed and specific provision is reserved.

Restructured loans are also classified and followed up according to the regulation on provisions considering the Bank's credit risk policies. Accordingly, the financial position and commercial operations of related customers are monitored, their principal and interest payments are followed up with the restructured repayment schedule and the necessary precautions are taken.

- d.** Banking activities in foreign countries and credit transactions are subject to periodical follow-up in terms of the economic conditions of the related country and the evaluation of the creditworthiness of the customers and financial institutions. No material risks have been observed in scope of these operations.

- e.**
1. The proportion of the Bank's top 100 and 200 cash loan balances in total cash loans is 21% and 28%.
  2. The proportion of the Bank's top 100 and 200 non-cash loan balances in total non-cash loans is 47% and 58%.
  3. The proportion of the Bank's cash and non-cash loan balances with the first 100 and 200 customers comprises of 23% and 30% of total cash loans and non-cash loans.

- f.** The Bank provided a general loan loss provision amounting to TL 1.883.267 (December 31, 2013 - TL 1.470.671).

**Yapı ve Kredi Bankası A.Ş.****Notes to unconsolidated financial statements as of December 31, 2014 (continued)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**Information related to financial position of the Bank (continued)****g. Risk profile according to the geographical concentration:**

|  | Risk Classifications <sup>(1)(2)</sup> |            |              |              |                   |                   |                   |                   |                  |                   |                  | Total              |
|--|--|------------|--------------|--------------|-------------------|-------------------|-------------------|-------------------|------------------|-------------------|------------------|--------------------|
|  | 1                                      | 2          | 3            | 4            | 5                 | 6                 | 7                 | 8                 | 9                | 10                | 11               |                    |
| <b>Current Period</b>                                      |  |            |              |              |                   |                   |                   |                   |                  |                   |                  |                    |
| Domestic   | 45.795.728                             | 149        | 1.067        | -            | 4.978.118         | 76.215.775        | 43.815.207        | 15.734.972        | 1.211.798        | 12.147.933        | 4.275.167        | 204.175.914        |
| EU countries   | -                                      | -          | -            | 1.712        | 5.204.274         | 810.960           | 19.183            | 2.148             | 1.467            | 108               | 249.101          | 6.288.953          |
| OECD countries <sup>(3)</sup>                              | -                                      | -          | -            | -            | 179.627           | 32.113            | 473               | 744               | 13.033           | -                 | -                | 225.990            |
| Off-shore banking regions                                  | -                                      | -          | -            | -            | 390               | -                 | 18.603            | -                 | -                | -                 | -                | 18.993             |
| USA, Canada  | -                                      | -          | -            | 3.141        | 1.016.981         | 80.700            | 462               | -                 | -                | -                 | -                | 1.101.284          |
| Other countries  | -                                      | -          | -            | -            | 692.602           | 638.744           | 138.827           | 904               | 29.551           | 48                | -                | 1.500.676          |
| Investment and associates, subsidiaries and joint ventures | -                                      | -          | -            | -            | -                 | -                 | -                 | -                 | -                | -                 | 2.441.353        | 2.441.353          |
| Undistributed Assets / Liabilities <sup>(4)</sup>          | -                                      | -          | -            | -            | -                 | -                 | -                 | -                 | -                | -                 | -                | -                  |
| <b>Total</b>   | <b>45.795.728</b>                      | <b>149</b> | <b>1.067</b> | <b>4.853</b> | <b>12.071.992</b> | <b>77.778.292</b> | <b>43.992.755</b> | <b>15.738.768</b> | <b>1.255.849</b> | <b>12.148.089</b> | <b>6.965.621</b> | <b>215.753.163</b> |
|  |  |            |              |              |                   |                   |                   |                   |                  |                   |                  |                    |
|  | Risk Classifications <sup>(1)(2)</sup> |            |              |              |                   |                   |                   |                   |                  |                   |                  | Total              |
|  | 1                                      | 2          | 3            | 4            | 5                 | 6                 | 7                 | 8                 | 9                | 10                | 11               |                    |
| <b>Prior Period</b>  |  |            |              |              |                   |                   |                   |                   |                  |                   |                  |                    |
| Domestic   | 34.895.595                             | 139        | 894          | -            | 5.539.312         | 54.297.553        | 41.719.190        | 10.911.360        | 1.088.666        | 10.395.996        | 4.025.828        | 162.874.533        |
| EU countries   | -                                      | -          | -            | 2.302        | 5.199.529         | 705.441           | 23.484            | 2.605             | 4.216            | 84                | -                | 5.937.661          |
| OECD countries <sup>(3)</sup>                              | -                                      | -          | -            | -            | 251.464           | 21.371            | 835               | -                 | 24.640           | -                 | -                | 298.310            |
| Off-shore banking regions                                  | -                                      | -          | -            | -            | 259               | -                 | 21.055            | -                 | -                | -                 | -                | 21.314             |
| USA, Canada  | -                                      | -          | -            | 909          | 1.013.090         | 128.592           | 612               | 187               | -                | -                 | -                | 1.143.390          |
| Other countries  | -                                      | -          | -            | -            | 203.756           | 663.784           | 17.486            | 763               | 39.394           | 29                | -                | 925.212            |
| Investment and associates, subsidiaries and joint ventures | -                                      | -          | -            | -            | -                 | -                 | -                 | -                 | -                | -                 | 2.370.270        | 2.370.270          |
| Undistributed Assets / Liabilities <sup>(4)</sup>          | -                                      | -          | -            | -            | -                 | -                 | -                 | -                 | -                | -                 | -                | -                  |
| <b>Total</b>   | <b>34.895.595</b>                      | <b>139</b> | <b>894</b>   | <b>3.211</b> | <b>12.207.410</b> | <b>55.816.741</b> | <b>41.782.662</b> | <b>10.914.915</b> | <b>1.156.916</b> | <b>10.396.109</b> | <b>6.396.098</b> | <b>173.570.690</b> |

(1) Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

(2) Includes credit risk amounts of total exposure before applying credit risk mitigations.

(3) OECD Countries other than EU countries, USA and Canada.

(4) Assets and liabilities are not allocated on a consistent basis

1-Conditional and unconditional receivables from central governments or central banks

2-Conditional and unconditional receivables from regional or local governments

3-Conditional and unconditional receivables from administrative units and non-commercial enterprises

4-Conditional and unconditional receivables from multilateral development banks

5-Conditional and unconditional receivables from banks and brokerage houses

6-Conditional and unconditional receivables from corporates

7-Conditional and unconditional retail receivables

8-Conditional and unconditional receivables secured by mortgages

9-Past due receivables

10-Receivables defined as high risk category by the Regulator

11-Other receivables

**Yapı ve Kredi Bankası A.Ş.****Notes to unconsolidated financial statements as of December 31, 2014 (continued)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**Information related to financial position of the Bank (continued)****ğ. Risk profile according to sectors and counterparties:**

|                                      | Risk Classifications <sup>(1) (2)</sup> |            |              |              |                   |                   |                   |                   |                  |                   |                  | TL                | FC                 | Total              |
|--------------------------------------|---|------------|--------------|--------------|-------------------|-------------------|-------------------|-------------------|------------------|-------------------|------------------|-------------------|--------------------|--------------------|
|                                      | 1                                       | 2          | 3            | 4            | 5                 | 6                 | 7                 | 8                 | 9                | 10                | 11               |                   |                    |                    |
| Agricultural                         | -                                       | -          | -            | -            | -                 | 2.409.990         | 1.168.066         | 346.894           | 34.535           | 111.350           | -                | 481.895           | 3.588.940          | 4.070.835          |
| Farming and raising livestock        | -                                       | -          | -            | -            | -                 | 2.279.022         | 994.157           | 307.923           | 32.376           | 106.630           | -                | 407.740           | 3.312.368          | 3.720.108          |
| Forestry                             | -                                       | -          | -            | -            | -                 | 77.473            | 135.432           | 28.858            | 1.308            | 2.039             | -                | 39.244            | 205.866            | 245.110            |
| Fishing                              | -                                       | -          | -            | -            | -                 | 53.495            | 38.477            | 10.113            | 851              | 2.681             | -                | 34.911            | 70.706             | 105.617            |
| Manufacturing                        | -                                       | 1          | 21           | -            | -                 | 44.070.036        | 10.888.816        | 3.530.384         | 505.606          | 278.612           | 4.188            | 34.994.900        | 24.282.764         | 59.277.664         |
| Mining                               | -                                       | -          | -            | -            | -                 | 9.010.548         | 1.394.605         | 472.500           | 56.454           | 15.919            | 43               | 7.078.913         | 3.871.156          | 10.950.069         |
| Production                           | -                                       | 1          | 12           | -            | -                 | 26.982.990        | 9.083.236         | 2.952.750         | 444.430          | 259.405           | 4.145            | 20.371.645        | 19.355.324         | 39.726.969         |
| Electric, gas and water              | -                                       | -          | 9            | -            | -                 | 8.076.498         | 410.975           | 105.134           | 4.722            | 3.288             | -                | 7.544.342         | 1.056.284          | 8.600.626          |
| Construction                         | 5                                       | 2          | -            | -            | -                 | 10.876.135        | 4.122.896         | 1.837.326         | 138.555          | 57.458            | -                | 8.565.422         | 8.466.955          | 17.032.377         |
| Services                             | 45.795.723                              | 64         | 786          | 3.141        | 12.071.992        | 15.686.735        | 7.621.295         | 3.704.783         | 219.515          | 285.524           | 1.895.933        | 44.223.273        | 43.062.218         | 87.285.491         |
| Wholesale and retail trade           | -                                       | 1          | 3            | -            | -                 | 5.637.980         | 3.791.265         | 960.070           | 90.135           | 104.746           | -                | 2.619.713         | 7.964.487          | 10.584.200         |
| Hotel, food and beverage services    | -                                       | -          | 22           | -            | -                 | 1.807.763         | 1.003.476         | 1.041.452         | 16.830           | 46.069            | -                | 2.449.403         | 1.466.209          | 3.915.612          |
| Transportation and telecommunication | -                                       | -          | 2            | -            | -                 | 4.978.347         | 1.004.961         | 235.367           | 45.043           | 54.351            | -                | 4.029.341         | 2.288.730          | 6.318.071          |
| Financial institutions               | 45.795.723                              | 7          | 9            | 3.141        | 12.071.992        | 879.003           | 480.585           | 977.824           | 30.896           | 12.911            | 1.893.180        | 33.531.084        | 28.614.187         | 62.145.271         |
| Real estate and renting services     | -                                       | -          | -            | -            | -                 | 237.704           | 116.590           | 53.843            | 7.167            | 7.553             | -                | 206.232           | 216.625            | 422.857            |
| Self-employment services             | -                                       | -          | -            | -            | -                 | 367.981           | 357.793           | 76.700            | 9.133            | 21.198            | 95               | 171.766           | 661.134            | 832.900            |
| Education services                   | -                                       | -          | 600          | -            | -                 | 116.787           | 112.344           | 26.490            | 1.580            | 4.346             | -                | 25.242            | 236.905            | 262.147            |
| Health and social services           | -                                       | 56         | 150          | -            | -                 | 1.661.170         | 754.281           | 333.037           | 18.731           | 34.350            | 2.658            | 1.190.492         | 1.613.941          | 2.804.433          |
| Other                                | -                                       | 82         | 260          | 1.712        | -                 | 4.735.396         | 20.191.682        | 6.319.381         | 357.638          | 11.415.145        | 5.065.500        | 5.287.454         | 42.799.342         | 48.086.796         |
| <b>Total</b>                         | <b>45.795.728</b>                       | <b>149</b> | <b>1.067</b> | <b>4.853</b> | <b>12.071.992</b> | <b>77.778.292</b> | <b>43.992.755</b> | <b>15.738.768</b> | <b>1.255.849</b> | <b>12.148.089</b> | <b>6.965.621</b> | <b>93.552.944</b> | <b>122.200.219</b> | <b>215.753.163</b> |

(1) Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

(2) Includes credit risk amounts of total exposure before applying credit risk mitigations.

1-Conditional and unconditional receivables from central governments or central banks

2-Conditional and unconditional receivables from regional or local governments

3-Conditional and unconditional receivables from administrative units and non-commercial enterprises

4-Conditional and unconditional receivables from multilateral development banks

5-Conditional and unconditional receivables from banks and brokerage houses

6-Conditional and unconditional receivables from corporates

7-Conditional and unconditional retail receivables

8-Conditional and unconditional receivables secured by mortgages

9-Past due receivables

10-Receivables defined as high risk category by the Regulator

11-Other receivables

**Yapı ve Kredi Bankası A.Ş.****Notes to unconsolidated financial statements as of December 31, 2014 (continued)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**Information related to financial position of the Bank (continued)****h. Risk profile according to remaining maturities:**

| <b>Risk classifications<sup>(1),(2)</sup></b>  | <b>1 month</b>    | <b>1-3 month</b>  | <b>3-6 month</b>  | <b>6-12 month</b> | <b>1 year and over</b> | <b>Total</b>       |
|--|-------------------|-------------------|-------------------|-------------------|------------------------|--------------------|
| Conditional and unconditional receivables from central governments or central banks                | 21.491.398        | 1.061.514         | 1.242.958         | 2.449.879         | 19.458.516             | 45.704.265         |
| Conditional and unconditional receivables from regional or local governments                       | -                 | -                 | 149               | -                 | -                      | 149                |
| Conditional and unconditional receivables from administrative units and non-commercial enterprises | 451               | -                 | 535               | -                 | 81                     | 1.067              |
| Conditional and unconditional receivables from multilateral development banks                      | 2.008             | 554               | 1.153             | 1.138             | -                      | 4.853              |
| Conditional and unconditional receivables from international organizations                         | -                 | -                 | -                 | -                 | -                      | -                  |
| Conditional and unconditional receivables from banks and brokerage houses                          | 2.475.924         | 1.382.707         | 4.148.311         | 864.201           | 3.200.849              | 12.071.992         |
| Conditional and unconditional receivables from corporates  | 8.318.172         | 5.686.310         | 11.421.181        | 10.890.259        | 41.462.370             | 77.778.292         |
| Conditional and unconditional retail receivables   | 1.018.151         | 2.315.739         | 12.302.722        | 5.082.884         | 23.273.259             | 43.992.755         |
| Conditional and unconditional receivables secured by mortgages                                     | 261.088           | 1.300.545         | 1.261.959         | 894.535           | 12.020.641             | 15.738.768         |
| Past due receivables   | -                 | -                 | -                 | -                 | -                      | -                  |
| Receivables defined as high risk category by the Regulator   | 21.924            | 273               | 23.756            | 1.029             | 12.101.107             | 12.148.089         |
| Secured by mortgages   | -                 | -                 | -                 | -                 | -                      | -                  |
| Securitization positions   | -                 | -                 | -                 | -                 | -                      | -                  |
| Short-term receivables from banks, brokerage houses and corporates                                 | -                 | -                 | -                 | -                 | -                      | -                  |
| Investments similar to collective investment funds   | -                 | -                 | -                 | -                 | -                      | -                  |
| Other receivables  | -                 | -                 | -                 | -                 | -                      | -                  |
| <b>General Total</b>   | <b>33.589.116</b> | <b>11.747.642</b> | <b>30.402.724</b> | <b>20.183.925</b> | <b>111.516.823</b>     | <b>207.440.230</b> |

(1) Includes credit risk amounts of total exposure before applying credit risk mitigations.

(2) Does not include demand transactions.

- I. An international rating firm, Fitch Ratings' external risk ratings are used to determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". The international risk ratings are used for the exposures to central governments/central banks and for asset classes for which the counterparty resides in foreign countries.

Exposures to central governments and central banks which are not rated by Fitch Ratings are included in the calculation of capital adequacy as unrated. Receivables from residents in Turkey are classified as unrated. Risk weights of accounts which are not included in the trading accounts are classified by issuer's credit rating.



## Yapı ve Kredi Bankası A.Ş.

## Notes to unconsolidated financial statements as of December 31, 2014 (continued)

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

## Information related to financial position of the Bank (continued)

Fitch Ratings' risk ratings as per the credit quality grades and the risk weights according to exposure categories are presented below:

| Credit Quality Grade | Fitch Ratings | Risk Classifications                   |   |   |  |                      |
|----------------------|---------------|--|---|---|--|----------------------|
|                      |               | Claims on sovereigns and Central Banks | Claims on administrative bodies and other non-commercial undertakings | Claims on banks and intermediary institutions |  | Claims on corporates |
|                      |               |  |   | Remaining maturity of claims under 3 months   | Remaining maturity of claims over 3 months |                      |
| 1                    | AAA           | 0%                                     | 20%   | 20%   | 20%  | 20%                  |
|                      | AA+           |  |   |   |  |                      |
|                      | AA            |  |   |   |  |                      |
|                      | AA-           |  |   |   |  |                      |
| 2                    | A+            | 20%                                    | 50%   | 20%   | 50%  | 50%                  |
|                      | A             |  |   |   |  |                      |
|                      | A-            |  |   |   |  |                      |
| 3                    | BBB+          | 50%                                    | 100%  | 20%   | 50%  | 100%                 |
|                      | BBB           |  |   |   |  |                      |
|                      | BBB-          |  |   |   |  |                      |
| 4                    | BB+           | 100%                                   | 100%  | 50%   | 100%                                       | 100%                 |
|                      | BB            |  |   |   |  |                      |
|                      | BB-           |  |   |   |  |                      |
| 5                    | B+            | 100%                                   | 100%  | 50%   | 100%                                       | 150%                 |
|                      | B             |  |   |   |  |                      |
|                      | B-            |  |   |   |  |                      |
| 6                    | CCC+          | 150%                                   | 150%  | 150%  | 150%                                       | 150%                 |
|                      | CCC           |  |   |   |  |                      |
|                      | CCC-          |  |   |   |  |                      |
|                      | CC            |  |   |   |  |                      |
|                      | C             |  |   |   |  |                      |
|                      | D             |  |   |   |  |                      |

## i. Risk balances according to risk weights:

Total exposure amount before and after applying risk mitigation techniques and total amounts deducted from the capital which are calculated in accordance with the Appendix-1 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" are presented below:

| Risk Weights |  | 0%         | 20%       | 50%        | 75%        | 100%       | 150%      | 200%      | 250%    | Total       | Deductions from the shareholders' equity |
|--------------|--|------------|-----------|------------|------------|------------|-----------|-----------|---------|-------------|--|
| 1            | Total exposure before credit risk mitigation | 41.122.928 | 6.212.924 | 27.927.867 | 39.726.290 | 88.200.216 | 3.514.020 | 8.346.715 | 702.203 | 215.753.163 | 328.546                                  |
| 2            | Total exposure after credit risk mitigation  | 41.218.048 | 6.206.895 | 25.726.733 | 39.453.298 | 85.215.409 | 3.496.976 | 8.330.515 | 702.203 | 210.350.077 | 328.546                                  |

## Information related to financial position of the Bank (continued)

### j. Information according to sectors and counterparties:

For loans which are classified as impaired loans due to delay of collection of principal or interest by 90 days and above and/or negative risk assessments of creditworthiness of the debtor; "Specific Provision" is set aside in the accompanying financial statements as of 31 December 2014.

For loans which are classified as past due but not impaired loans due to delay of collection of principal or interest up to 90 days; "General Provision" is set aside in the accompanying financial statements as of 31 December 2014.

| Sectors / Counterparties             | Loans            |                  | General Provisions | Specific Provisions |
|--------------------------------------|------------------|------------------|--------------------|---------------------|
|                                      | Impaired Loans   | Past due         |                    |                     |
| <b>Agricultural</b>                  | <b>119.043</b>   | <b>213.130</b>   | <b>9.660</b>       | <b>86.632</b>       |
| Farming and raising livestock        | 108.502          | 200.964          | 8.909              | 79.383              |
| Forestry                             | 7.073            | 6.913            | 408                | 5.046               |
| Fishing                              | 3.468            | 5.253            | 343                | 2.203               |
| <b>Manufacturing</b>                 | <b>1.652.133</b> | <b>1.511.694</b> | <b>260.457</b>     | <b>1.155.010</b>    |
| Mining                               | 150.274          | 147.851          | 5.720              | 134.937             |
| Production                           | 1.476.989        | 1.348.468        | 252.212            | 1.004.670           |
| Electric, gas and water              | 24.870           | 15.375           | 2.525              | 15.403              |
| <b>Construction</b>                  | <b>473.878</b>   | <b>485.502</b>   | <b>103.398</b>     | <b>235.573</b>      |
| <b>Services</b>                      | <b>730.989</b>   | <b>969.099</b>   | <b>81.909</b>      | <b>502.007</b>      |
| Wholesale and retail trade           | 339.982          | 290.176          | 40.744             | 225.164             |
| Hotel, food and beverage services    | 66.952           | 87.170           | 5.132              | 43.786              |
| Transportation and telecommunication | 145.816          | 275.275          | 10.398             | 117.279             |
| Financial institutions               | 62.976           | 164.435          | 21.512             | 38.287              |
| Real estate and renting services     | 42.484           | 25.116           | 879                | 26.324              |
| Self-employment services             | -                | -                | -                  | -                   |
| Education services                   | 7.286            | 6.820            | 324                | 5.232               |
| Health and social services           | 65.493           | 120.107          | 2.920              | 45.935              |
| <b>Other</b>                         | <b>1.739.242</b> | <b>1.284.469</b> | <b>39.301</b>      | <b>1.181.128</b>    |
| <b>Total</b>                         | <b>4.715.285</b> | <b>4.463.894</b> | <b>494.725</b>     | <b>3.160.350</b>    |

### k. Information about value adjustments and changes in the loan impairment:

The Bank provides specific provisions for loans which are overdue for 90 days or more by taking into account the collaterals received from customers in accordance with the Provisioning Regulation.

The Bank provides general loan loss provision for loans classified as first and second group loan portfolio. This provision is calculated in accordance with the Provisioning Regulation.

|   |                     | Provision amounts set |                         | Reversal of provisions | Other adjustments <sup>(1)</sup> | Close out balance |
|---|---------------------|-----------------------|-------------------------|------------------------|----------------------------------|-------------------|
|   |                     | Opening balance       | aside during the period |                        |                                  |                   |
| 1 | Specific provisions | 2.410.116             | 1.257.795               | (131.839)              | (458.146)                        | 3.077.926         |
| 2 | General provisions  | 1.470.671             | 459.433                 | (46.837)               | -                                | 1.883.267         |

(1) The figure represents write-off's and also includes NPL sales amounts.

## Information related to financial position of the Bank (continued)

### III. Explanations on market risk:

Risk management activities of the Bank are carried out under the responsibility of the Bank's Board of Directors in accordance with "Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

In order to comply with the regulations, the Bank set its activities related with market risk management in accordance with "Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette no. 29057 dated July 11, 2014.

Market risk policies, which are approved by the Bank's Board of Directors and updated annually, if needed, include limit, methodologies, processes and responsibilities. Market risk calculations for the trading portfolio are performed by using standard method and Value at Risk (VaR) method. VaR is calculated using historical simulation method and reported to the management on a daily basis and to the Bank's Executive Committee on a monthly basis. In order to keep the effect of interest rate and foreign currency fluctuations at minimum, the Bank enters into derivative transactions of which some of the derivative transactions are subject to hedge accounting applications.

The table below shows details of the market risk as of December 31, 2014 in accordance with "Regulation on Banks' Internal Control and Risk Management Systems" and "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette no. 28337 dated June 28, 2012.

#### (1) Explanations on market risk:

##### a. Information on market risk:

|  | Current Period   | Prior Period     |
|--|------------------|------------------|
| (I) Capital requirement against general market risk - standard method                    | 46.021           | 63.954           |
| (II) Capital requirement against specific risks - standard method                        | 2.814            | 39.031           |
| Capital requirement against specific risks of securitization positions- standard method  | -                | -                |
| (III) Capital requirement against currency exchange risk - standard method               | 36.113           | 5.846            |
| (IV) Capital requirement against commodity risks - standard method                       | 133              | 667              |
| (V) Capital requirement against exchange risks - standard method                         | -                | -                |
| (VI) Capital requirement against market risks of options - standard method               | 1.718            | 6.308            |
| (VII) Capital requirement against counterparty credit risks - standard method            | 43.451           | 81.662           |
| (VIII) Capital requirement against market risks of banks applying risk measurement model | -                | -                |
| (IX) Total capital requirement against market risk<br>(I+II+III+IV+V+VI+VII+VIII)        | 130.250          | 197.468          |
| <b>(IX) Value-at-market risk (12,5 x VIII) or (12,5 x IX)</b>                            | <b>1.628.125</b> | <b>2.468.350</b> |

**Information related to financial position of the Bank (continued)**

**b. Average market risk table of calculated market risk at month ends:**

|                                     | Current Period |                |                | Prior Period   |                |               |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|---------------|
|                                     | Average        | Maximum        | Minimum        | Average        | Maximum        | Minimum       |
| Interest rate risk                  | 93.598         | 131.701        | 46.772         | 41.773         | 66.591         | 20.031        |
| Share price risk                    | 8.014          | 3.545          | 2.063          | 29.304         | 64.030         | 7.739         |
| Currency risk                       | 25.800         | 41.287         | 36.113         | 29.591         | 58.224         | 5.150         |
| Commodity risk                      | 191            | 88             | 133            | 1.579          | 3.363          | 638           |
| Settlement risk                     | -              | -              | -              | -              | -              | -             |
| Option risk                         | 1.620          | 389            | 1.718          | 1.317          | 6.308          | 318           |
| Counterparty credit risk            | 57.655         | 47.695         | 43.451         | 40.738         | 81.662         | 15.352        |
| <b>Total amount subject to risk</b> | <b>186.878</b> | <b>224.705</b> | <b>130.250</b> | <b>144.302</b> | <b>280.178</b> | <b>49.228</b> |

**(2) Quantitative information on counterparty risk:**

The "counterparty credit risk" is calculated for repurchase transactions and derivative transactions. In counterparty credit risk calculations, the fair value methodology is used according to the Appendix-2 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". In case of derivative transactions, the total of replacement costs and potential credit risks is considered as the exposure amount. The total of volatility, currency, credit quality levels and holding periods for marketable securities subject to repurchase and funding through repurchases are considered during the calculation of risk amount for repurchase transactions.

In counterparty credit risk calculations, credit limits are set by internal methods and fair value methodology is used for capital allocation calculations.

The Bank uses the same policy and procedures applicable to credit collateral and provisioning for counterparty credit risk.

In accordance with the counterparty risk policies the Bank does not have the risk of the opposite tendency.

Risk and collateral amounts are calculated daily. Changes applicable to market values are also revised using daily actuals.

Total counterparty credit risk from trading activities is TL 543.138 for the year ended December 31, 2014.

|                                 | Current Period | Prior Period |
|---------------------------------|----------------|--------------|
| Interest rate contracts         | 134.142        | 182.300      |
| Foreign exchange rate contracts | 871.430        | 2.987.699    |
| Commodity contracts             | 5.062          | 3.708        |
| Equity shares related contracts | -              | 52.938       |
| Other                           | 1.159          | 2.080        |
| Gross Positive Fair Value       | 188.119        | 981.279      |
| Netting benefits                | -              | -            |
| Net current exposure amount     | -              | -            |
| Collateral received             | -              | -            |
| Net derivative position         | 188.119        | 981.279      |

**(3) Explanations on calculation of capital requirements through a risk measurement model which is permitted to be used by the authorities;**

Market risk is measured for trading portfolio and standard method and value at risk method are used.

## Information related to financial position of the Bank (continued)

### IV. Explanations on operational risk:

The Bank calculates the amount subject to operational risk based on “Basic Indicator Method” by using 2013, 2012 and 2011 year-end gross income balances of the Bank, in accordance with Section 3 of the “Regulation Regarding Measurement and Evaluation of Banks’ Capital Adequacy Ratio”, published in the Official Gazette No. 28337 dated June 28, 2012, namely “The Calculation of the Amount Subject to Operational Risk”. As of December 31, 2014, the total amount subject to operational risk is TL 10.214.957 (December 31, 2013 - TL 10.029.381) and the amount of the related capital requirement is TL 817.197 (December 31, 2013 - TL 802.350).

|  | 2 Prior<br>Period<br>Value | 1 Prior<br>Period<br>Value | Current<br>Period<br>value | Total / Total<br>number of<br>years for which<br>gross income is<br>positive | Rate (%) | Total      |
|--|----------------------------|----------------------------|----------------------------|--|----------|------------|
| Gross Income                                       | 4.961.755                  | 6.331.921                  | 5.050.255                  | 5.447.977  | 15       | 817.197    |
| Amount subject to operational risk<br>(Total*12,5) |                            |                            |                            |  |          | 10.214.957 |

### V. Explanations on currency risk:

The difference between the Bank’s foreign currency denominated and foreign currency indexed on- and off-balance sheet assets and liabilities is defined as the “Net Foreign Currency Position” and it is the basis of currency risk. Cross currency risk is also taken into consideration for the currency risk calculations and measurements.

The Bank keeps the amount of currency risk exposure within the related legal limits and follows the exchange position on a daily/regular basis. In addition, although the internal exchange position limit is lower when compared to the related legal limit, there has not been any limit exceeding during the period. As an instrument of currency risk management, derivatives such as swap and forwards are used to reduce risk whenever needed. In order to guard against extreme volatility during the year stress tests are applied. Value at risk method is used for the measurement of foreign exchange risk.

The details of hedging of the foreign currency debt instruments and net foreign currency investment risk with derivative instruments are disclosed in section four Note XIII.

The Bank’s publicly announced foreign exchange bid rates as of the date of the financial statements and for the last five work days prior to that date are as follows:

(Exchange rates presented as full TL)

|  | USD            | EUR            |
|--|----------------|----------------|
| <b>Balance sheet evaluation rate</b>                     | <b>2,31890</b> | <b>2,82070</b> |
| First day current bid rate                               | 2,32350        | 2,83390        |
| Second day current bid rate                              | 2,31820        | 2,82550        |
| Third day current bid rate                               | 2,31770        | 2,83680        |
| Fourth day current bid rate                              | 2,32090        | 2,83120        |
| Fifth day current bid rate                               | 2,31650        | 2,83170        |
| <b>Arithmetic average of the last 31 days:</b>           | <b>2,28790</b> | <b>2,82070</b> |
| <b>Balance sheet evaluation rate as of prior period:</b> | <b>2,13430</b> | <b>2,93650</b> |

**Information related to financial position of the Bank (continued)**

|   | EUR                | USD                | OTHER FC <sup>(4)</sup> | Total               |
|---|--------------------|--------------------|-------------------------|---------------------|
| <b>Current Period</b>   |                    |                    |                         |                     |
| <b>Assets</b>   |                    |                    |                         |                     |
| Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey | 3.086.612          | 13.570.449         | 3.321.163               | 19.978.224          |
| Banks   | 904.343            | 1.278.109          | 121.253                 | 2.303.705           |
| Financial assets at fair value through profit or loss   | 20.898             | 123.903            | 1.659                   | 146.460             |
| Money market placements   | -                  | -                  | -                       | -                   |
| Available-for-sale financial assets   | 337.519            | 2.837.306          | 126.944                 | 3.301.769           |
| Loans <sup>(1)</sup>  | 12.046.428         | 30.581.588         | 532.664                 | 43.160.680          |
| Investments in associates, subsidiaries and joint ventures  | 557.052            | 243.306            | 43.404                  | 843.762             |
| Held-to-maturity investments  | 144.996            | 2.986.826          | -                       | 3.131.822           |
| Hedging derivative financial assets   | -                  | -                  | -                       | -                   |
| Tangible assets   | -                  | -                  | -                       | -                   |
| Intangible assets   | -                  | -                  | -                       | -                   |
| Other assets <sup>(2)</sup>   | 222.391            | 526.904            | 140.727                 | 890.022             |
| <b>Total assets</b>   | <b>17.320.239</b>  | <b>52.148.391</b>  | <b>4.287.814</b>        | <b>73.756.444</b>   |
| <b>Liabilities</b>  |                    |                    |                         |                     |
| Bank deposits   | 50.755             | 940.848            | 121.424                 | 1.113.027           |
| Foreign currency deposits   | 14.476.073         | 23.874.157         | 1.481.157               | 39.831.387          |
| Funds from money market   | -                  | 2.365.914          | -                       | 2.365.914           |
| Funds borrowed from other financial institutions  | 6.834.678          | 10.125.055         | 299.283                 | 17.259.016          |
| Marketable securities issued  | 114.648            | 6.657.512          | 128.005                 | 6.900.165           |
| Miscellaneous payables  | 719.692            | 779.313            | 16.303                  | 1.515.308           |
| Hedging derivative financial liabilities  | 56.238             | 155.111            | -                       | 211.349             |
| Other liabilities <sup>(3)</sup>  | 2.725.015          | 5.728.243          | 12.896                  | 8.466.154           |
| <b>Total liabilities</b>  | <b>24.977.099</b>  | <b>50.626.153</b>  | <b>2.059.068</b>        | <b>77.662.320</b>   |
| <b>Net on-balance sheet position</b>  | <b>(7.656.860)</b> | <b>1.522.238</b>   | <b>2.228.746</b>        | <b>(3.905.876)</b>  |
| <b>Net off-balance sheet position <sup>(5)</sup></b>  | <b>7.230.615</b>   | <b>(1.468.534)</b> | <b>(2.123.726)</b>      | <b>3.638.355</b>    |
| Financial derivative assets   | 9.547.307          | 21.104.210         | 1.060.608               | 31.712.125          |
| Financial derivative liabilities  | 2.316.692          | 22.572.744         | 3.184.334               | 28.073.770          |
| <b>Net Position</b>   | <b>(426.245)</b>   | <b>53.704</b>      | <b>105.020</b>          | <b>(267.521)</b>    |
| <b>Non-cash loans</b>   | <b>10.926.151</b>  | <b>19.830.097</b>  | <b>1.536.394</b>        | <b>32.292.642</b>   |
| <b>Prior Period</b>   |                    |                    |                         |                     |
| Total assets  | 19.535.957         | 39.452.250         | 4.041.797               | 63.030.004          |
| Total liabilities   | 26.795.435         | 45.165.857         | 1.810.081               | 73.771.373          |
| <b>Net on-balance sheet position</b>  | <b>(7.259.478)</b> | <b>(5.713.607)</b> | <b>2.231.716</b>        | <b>(10.741.369)</b> |
| <b>Net off-balance sheet position</b>   | <b>7.265.312</b>   | <b>5.815.756</b>   | <b>(2.219.669)</b>      | <b>10.861.399</b>   |
| Financial derivative assets   | 10.449.480         | 19.606.587         | 1.588.241               | 31.644.308          |
| Financial derivative liabilities  | 3.184.168          | 13.790.831         | 3.807.910               | 20.782.909          |
| <b>Net Position</b>   | <b>5.834</b>       | <b>102.149</b>     | <b>12.047</b>           | <b>120.030</b>      |
| <b>Non-cash loans</b>   | <b>9.355.736</b>   | <b>13.550.480</b>  | <b>1.787.261</b>        | <b>24.693.477</b>   |

- (1) Includes FX indexed loans amounting to TL 5.103.401 (December 31, 2013 – TL 4.714.007) which have been disclosed as TL in the financial statements.
- (2) Does not include foreign currency prepaid expenses amounting to TL 71.025 (December 31, 2013 - TL 54.872).
- (3) Does not include foreign currency denominated general provisions for foreign currencies, hedged funds and marketable securities valuation differences under equity.
- (4) Other FC column also includes gold balance.
- (5) Forward transactions classified as commitments are also included.

## Information related to financial position of the Bank (continued)

### Currency risk sensitivity analysis:

The table below represents the sensitivity of the Bank to 15% change of currency exchange rates (USD and EUR).

15% change is the assumption of parity change that may be faced according to the Bank's stress test scenarios.

| Change in currency exchange rates | Current Period                    | Prior Period                      |
|-----------------------------------|-----------------------------------|-----------------------------------|
|                                   | Profit/loss effect <sup>(1)</sup> | Profit/loss effect <sup>(1)</sup> |
| (+) 15%                           | (144.811)                         | (67.460)                          |
| (-) 15%                           | 144.811                           | 67.460                            |

(1) Excluding tax effect.

## VI. Explanations on interest rate risk:

The monitoring of interest rate sensitive assets and liabilities, including sensitivity analysis regarding the effect of interest rate fluctuations on the financial statements, is performed by the risk management department for all interest sensitive instruments over carrying values. The results are presented monthly to the Asset and Liability Management function of the Executive Committee. By using sensitivity and scenario analyses, the possible effects by interest rate volatility are analyzed. In these analyses possible losses are calculated for the change in fair value of interest sensitive products by applying shock tests to interest rates.

Sensitivity analyses are also calculated daily within Market Risk reporting on the basis of maturity and foreign exchange types and reported to Senior Management by checking them against the determined limits.

The bank utilizes TL/foreign currency and TL/TL interest rate swap transactions in order to limit the interest and foreign currency risk arising from short-term deposit and long-term consumer loans within the TL balance sheet. Furthermore, in order to reduce the repricing mismatch in the foreign currency balance sheet, foreign currency/foreign currency interest rate swaps are utilized.

**Information related to financial position of the Bank (continued)**
**a. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates:**

| Current Period  | Up to 1<br>month    | 1-3<br>months     | 3-12<br>months    | 1-5<br>years      | 5 years<br>and over | Non interest<br>bearing | Total               |
|---|---------------------|-------------------|-------------------|-------------------|---------------------|-------------------------|---------------------|
| <b>Assets</b>   |                     |                   |                   |                   |                     |                         |                     |
| Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey | 1.293.701           | -                 | -                 | -                 | -                   | 21.675.187              | 22.968.888          |
| Banks   | 162.866             | 376.020           | 33.136            | -                 | -                   | 1.823.326               | 2.395.348           |
| Financial assets at fair value through profit/loss  | 317.306             | 233.220           | 521.308           | 72.393            | 52.789              | -                       | 1.197.016           |
| Money market placements   | 1.568.654           | -                 | -                 | -                 | -                   | -                       | 1.568.654           |
| Available-for-sale financial assets   | 1.047.104           | 3.376.027         | 7.678.855         | 3.613.615         | 2.795.026           | 75.531                  | 18.586.158          |
| Loans   | 26.851.249          | 28.464.328        | 33.429.268        | 24.689.592        | 7.303.116           | 1.255.849               | 121.993.402         |
| Held-to-maturity investments  | -                   | 344.493           | 1.013.710         | 529.023           | 3.131.823           | -                       | 5.019.049           |
| Other assets  | 27.825              | 49.564            | 178.757           | -                 | -                   | 7.216.624               | 7.472.770           |
| <b>Total assets</b>   | <b>31.268.705</b>   | <b>32.843.652</b> | <b>42.855.034</b> | <b>28.904.623</b> | <b>13.282.754</b>   | <b>32.046.517</b>       | <b>181.201.285</b>  |
| <b>Liabilities</b>  |                     |                   |                   |                   |                     |                         |                     |
| Bank deposits   | 1.421.033           | 32.118            | 15.594            | -                 | -                   | 506.736                 | 1.975.481           |
| Other deposits  | 57.042.847          | 26.655.197        | 3.967.830         | 15.180            | -                   | 15.463.804              | 103.144.858         |
| Funds from money market   | 5.233.568           | 655.032           | 116.054           | 195.919           | -                   | -                       | 6.200.573           |
| Miscellaneous payables  | -                   | -                 | -                 | -                 | -                   | 8.401.384               | 8.401.384           |
| Marketable securities issued  | 345.662             | 1.530.592         | 3.121.610         | 3.611.241         | 1.111.294           | -                       | 9.720.399           |
| Funds borrowed from other financial institutions  | 3.935.924           | 8.629.928         | 4.858.209         | 213.741           | 483.771             | -                       | 18.121.573          |
| Other liabilities and shareholders' equity  | 290.709             | 1.895.404         | 962.141           | 62.709            | 4.794.907           | 25.631.147              | 33.637.017          |
| <b>Total liabilities</b>  | <b>68.269.743</b>   | <b>39.398.271</b> | <b>13.041.438</b> | <b>4.098.790</b>  | <b>6.389.972</b>    | <b>50.003.071</b>       | <b>181.201.285</b>  |
| <b>Balance sheet long position</b>  | -                   | -                 | 29.813.596        | 24.805.833        | 6.892.782           | -                       | 61.512.211          |
| <b>Balance sheet short position</b>   | (37.001.038)        | (6.554.619)       | -                 | -                 | -                   | (17.956.554)            | (61.512.211)        |
| Off-balance sheet long position   | 3.356.518           | 13.312.654        | 1.572.870         | -                 | -                   | -                       | 18.242.042          |
| Off-balance sheet short position  | -                   | -                 | -                 | (18.166.561)      | (408.169)           | -                       | (18.574.730)        |
| <b>Total position</b>   | <b>(33.644.520)</b> | <b>6.758.035</b>  | <b>31.386.466</b> | <b>6.639.272</b>  | <b>6.484.613</b>    | <b>(17.956.554)</b>     | <b>(332.688)</b>    |
| Prior Period  | Up to 1<br>month    | 1-3<br>months     | 3-12<br>months    | 1-5<br>years      | 5 years<br>and over | Non interest<br>bearing | Total               |
| <b>Assets</b>   |                     |                   |                   |                   |                     |                         |                     |
| Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey | -                   | -                 | -                 | -                 | -                   | 18.777.182              | 18.777.182          |
| Banks   | 1.269.494           | 191.460           | 29.610            | 217.731           | -                   | 1.293.351               | 3.001.646           |
| Financial assets at fair value through profit/loss  | 681.151             | 284.116           | 605.569           | 78.496            | 15.910              | -                       | 1.665.242           |
| Money market placements   | 2.899.828           | -                 | -                 | -                 | -                   | -                       | 2.899.828           |
| Available-for-sale financial assets   | 1.478.922           | 1.800.046         | 3.015.914         | 3.363.521         | 3.360.951           | 92.507                  | 13.111.861          |
| Loans   | 21.368.120          | 23.436.173        | 26.995.043        | 17.436.018        | 5.655.889           | 1.147.487               | 96.038.730          |
| Held-to-maturity investments  | 419.645             | 1.849.971         | 1.257.268         | -                 | 2.927.024           | -                       | 6.453.908           |
| Other assets  | 51.591              | 128.772           | 287.264           | -                 | -                   | 6.465.288               | 6.932.915           |
| <b>Total assets</b>   | <b>28.168.751</b>   | <b>27.690.538</b> | <b>32.190.668</b> | <b>21.095.766</b> | <b>11.959.774</b>   | <b>27.775.815</b>       | <b>148.881.312</b>  |
| <b>Liabilities</b>  |                     |                   |                   |                   |                     |                         |                     |
| Bank deposits   | 462.603             | 481.035           | 52.751            | 65                | -                   | 682.780                 | 1.679.234           |
| Other deposits  | 52.730.425          | 13.562.753        | 5.304.371         | 10.804            | -                   | 13.020.040              | 84.628.393          |
| Funds from money market   | 895.883             | 1.536.041         | 673.882           | 287.140           | -                   | -                       | 3.392.946           |
| Miscellaneous payables  | -                   | -                 | -                 | -                 | -                   | 6.856.339               | 6.856.339           |
| Marketable securities issued  | 42.903              | 727.277           | 1.896.948         | 2.127.754         | 1.051.878           | -                       | 5.846.760           |
| Funds borrowed from other financial institutions  | 3.200.701           | 7.024.279         | 3.747.923         | 1.925.741         | 529.264             | -                       | 16.427.908          |
| Other liabilities and shareholders' equity  | 196.228             | 1.955.116         | 1.119.707         | 34.027            | 4.406.619           | 22.338.035              | 30.049.732          |
| <b>Total liabilities</b>  | <b>57.528.743</b>   | <b>25.286.501</b> | <b>12.795.582</b> | <b>4.385.531</b>  | <b>5.987.761</b>    | <b>42.897.194</b>       | <b>148.881.312</b>  |
| <b>Balance sheet long position</b>  | -                   | <b>2.404.037</b>  | <b>19.395.086</b> | <b>16.710.235</b> | <b>5.972.013</b>    | -                       | <b>44.481.371</b>   |
| <b>Balance sheet short position</b>   | <b>(29.359.992)</b> | -                 | -                 | -                 | -                   | <b>(15.121.379)</b>     | <b>(44.481.371)</b> |
| Off-balance sheet long position   | 5.408.564           | 10.396.614        | 404.906           | -                 | -                   | -                       | 16.210.084          |
| Off-balance sheet short position  | -                   | -                 | -                 | (14.322.488)      | (1.247.341)         | -                       | (15.569.829)        |
| <b>Total position</b>   | <b>(23.951.428)</b> | <b>12.800.651</b> | <b>19.799.992</b> | <b>2.387.747</b>  | <b>4.724.672</b>    | <b>(15.121.379)</b>     | <b>640.255</b>      |



**Information related to financial position of the Bank (continued)**

**b. Average interest rates for monetary financial instruments:**

The following average interest rates are calculated by weighting the rates with their principal amounts outstanding as of the balance sheet date.

| <b>Current Period</b>   | <b>EUR</b> | <b>USD</b> | <b>Yen</b> | <b>TL</b> |
|---|------------|------------|------------|-----------|
|   | <b>%</b>   | <b>%</b>   | <b>%</b>   | <b>%</b>  |
| <b>Assets<sup>(1)</sup></b>   |            |            |            |           |
| Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey | -          | -          | -          | 1,30      |
| Banks   | 0,60       | 1,86       | -          | 10,28     |
| Financial assets at fair value through profit/loss  | 1,97       | 4,41       | -          | 8,51      |
| Money market placements   | -          | -          | -          | 11,73     |
| Available-for-sale financial assets   | 5,49       | 6,28       | -          | 10,01     |
| Loans   | 4,56       | 4,93       | 5,20       | 13,53     |
| Held-to-maturity investments  | 5,20       | 5,51       | -          | 9,82      |
|   | -          | -          | -          | -         |
| <b>Liabilities<sup>(1)</sup></b>  |            |            |            |           |
| Bank deposits   | -          | 0,46       | -          | 10,34     |
| Other deposits  | 1,84       | 2,11       | 1,82       | 10,74     |
| Funds from money market   | -          | 0,85       | -          | 8,62      |
| Miscellaneous payables  | -          | -          | -          | -         |
| Marketable securities issued  | 2,41       | 4,22       | -          | 9,15      |
| Funds borrowed from other financial institutions  | 1,60       | 3,40       | 3,02       | 9,43      |
|   |            |            |            |           |
| <b>Prior Period</b>   | <b>EUR</b> | <b>USD</b> | <b>Yen</b> | <b>TL</b> |
|   | <b>%</b>   | <b>%</b>   | <b>%</b>   | <b>%</b>  |
| <b>Assets<sup>(1)</sup></b>   |            |            |            |           |
| Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey | -          | -          | -          | -         |
| Banks   | 0,39       | 0,86       | -          | 8,15      |
| Financial assets at fair value through profit/loss  | 2,34       | 4,59       | -          | 9,07      |
| Money market placements   | 0,50       | -          | -          | 8,56      |
| Available-for-sale financial assets   | 5,41       | 6,75       | -          | 9,39      |
| Loans   | 4,93       | 4,91       | 4,93       | 12,37     |
| Held-to-maturity investments  | 5,20       | 5,51       | -          | 8,94      |
|   |            |            |            |           |
| <b>Liabilities<sup>(1)</sup></b>  |            |            |            |           |
| Bank deposits   | -          | 0,75       | -          | 8,02      |
| Other deposits  | 2,73       | 2,83       | 2,72       | 9,05      |
| Funds from money market   | -          | 0,89       | -          | 4,63      |
| Miscellaneous payables  | -          | -          | -          | -         |
| Marketable securities issued  | 1,50       | 4,55       | -          | 8,13      |
| Funds borrowed from other financial institutions  | 2,07       | 3,52       | 2,99       | 8,79      |

(1) Does not include demand/non-interest transactions.

## Information related to financial position of the Bank (continued)

### c. Interest rate risk arising from banking accounts:

The sensitivity analysis regarding the effect of interest rate fluctuations on the financial statements is performed for all interest earning assets and interest bearing liabilities.

Interest rate risk resulting from banking books comprise of repricing risk, yield curve risk, and basis risk.

Interest rate risk arising from banking book is measured in accordance with "The regulation of measurement and assessment of interest rate risk by standard shock method arising from banking accounts", published in the Official Gazette No. 28034 dated August 23, 2011 and legal limit of this measurement is monitored and reported monthly. Proportional amount of capital is provided in line with the same level of Interest rate risk arising from banking accounts.

Interest rate risk is measured and monitored monthly by market risk management. Duration analysis, gap analysis, basis points value analysis, scenario analysis and simulation of net interest income are performed and reported monthly to Asset Liability Management function of the Executive Committee. Interest sensitivity is measured most appropriately using the duration distribution map for every type of product. Investment decisions are done by taking into account the interest rate measurements. The maturity and interest risk for products with uncertain maturities is effectively measured using the behavioral analysis.

Economic value differences resulting from interest rate fluctuations as of December 31, 2014 are presented in the table below in accordance with the "Regulation of measurement and assessment of interest rate risk by standard shock method arising from banking accounts".

| Currency                           | Applied shock<br>(+/- x basis points)* | Gains/Losses | Gains/SE-Losses/SE |
|------------------------------------|--|--------------|--------------------|
| TRY                                | (+)500 bp                              | (1.859.156)  | (7,53)%            |
| TRY                                | (-)400 bp                              | 1.777.453    | 7,19%              |
| EUR                                | (+)200 bp                              | (108.509)    | (0,44)%            |
| EUR                                | (-)200 bp                              | 146.928      | 0,59%              |
| USD                                | (+)200 bp                              | 18.473       | 0,07%              |
| USD                                | (-)200 bp                              | 115.327      | 0,47%              |
| <b>Total (For negative shocks)</b> |  | 2.039.708    | 8,26%              |
| <b>Total (For positive shocks)</b> |  | (1.949.192)  | (7,89)%            |

## Information related to financial position of the Bank (continued)

### VII. Explanation on share certificates position risk from banking book:

- a) Consolidated subsidiaries of the Bank are carried at fair value in the accompanying financial statements. Valuation differences at the end of the period are presented in marketable securities valuation differences account in shareholder's equity.
- b) Comparison of carrying value of equity investments at fair value with the market value;  
  
There is no equity instruments which are traded in organized markets, as of 31, December 2014.
- c) Information on realized gains/losses, revaluation surpluses and unrealized gains/losses on equity securities and results included in core and supplementary capitals:

Below figures represent valuation differences, after tax, arising from fair value accounting of subsidiaries which are presented in the line item "marketable securities valuation differences" under equity and accumulated differences in the valuation of assets held for sale.

| Portfolio                    | Realized gains<br>(losses) in<br>the current<br>period | Revaluation Surpluses |  | Unrealized gains and losses |                                 |
|------------------------------|--|-----------------------|--|-----------------------------|---------------------------------|
|                              |  | Total                 | Amount under<br>supplementary<br>capital | Total                       | Amount under<br>core<br>capital |
| 1. Equity Shares Investments | (37.001)   | 608.129               | 608.129                                  | (13.497)                    | (13.497)                        |
| 2. Quoted Equity Shares      | -  | -                     | -  | -                           | -                               |
| 3. Other Equity Shares       | -  | -                     | -  | -                           | -                               |
| <b>Total</b>                 | <b>(37.001)</b>  | <b>608.129</b>        | <b>608.</b>                              | <b>(13.497)</b>             | <b>(13.497)</b>                 |

### VIII. Explanations on liquidity risk:

Liquidity risk covers the inability to fund increases in assets or to meet liabilities when they are due and other risks arising from transactions undertaken in illiquid markets. These risks contain maturity mismatch risk, emergency risk and market liquidity risk.

The main objective of the Bank's overall liquidity management is to ensure the continuity of the Bank's payment obligations and sustain the level of payments availability in crisis time without risking the value and the brand name of the Bank. For this reason, two different models are defined: the current situation liquidity management and emergency situation liquidity management.

The current situation liquidity risk is monitored by the reports of short and long term liquidity. Short-term liquidity position is monitored on a daily basis including the legal Liquidity Adequacy Reports as to whether the position is within legal limits. Long-term liquidity position aims to ensure the financial stability of the balance sheet and is monitored on a monthly basis. On a monthly basis, the Asset and Liability Management function within the scope of the meetings of the Executive Board evaluates the Bank's liquidity position and actions are taken when necessary.

### Information related to financial position of the Bank (continued)

In cases when the future financial events require more liquidity than the Bank's daily liquidity needs, the Bank carries out its activities accordance with the "Emergency Situation Liquidity Plan" where duties and responsibilities are defined in detail. Liquidity stress test scenarios are used to measure the Bank's resistance to unexpected situations.

The Bank issues bonds and obtains long-term bank loans to overcome the current short-term funding of the banking sector.

In accordance with the "Regulation on Measurement and Evaluation of Liquidity Adequacy of the Banks" published in the Official gazette numbered 26333 dated November 1, 2006 by BRSA, effective from June 1, 2007, liquidity ratio, calculated weekly and monthly, have to be at least 80% for the foreign currency asset / liability and 100% for the total asset / liability. Liquidity ratios realized in 2014 and 2013 are disclosed below.

| Current Period | First-term period (Weekly) |        | Second-term period (Monthly) |        |
|----------------|----------------------------|--------|------------------------------|--------|
|                | FC                         | Total  | FC                           | Total  |
| Average %      | 176,78                     | 148,55 | 129,41                       | 108,89 |
| Highest %      | 252,17                     | 164,87 | 158,85                       | 114,85 |
| Lowest %       | 132,76                     | 135,78 | 107,44                       | 102,67 |

| Prior Period | First-term period (Weekly) |        | Second-term period (Monthly) |        |
|--------------|----------------------------|--------|------------------------------|--------|
|              | FC                         | Total  | FC                           | Total  |
| Average %    | 178,20                     | 151,90 | 123,96                       | 111,46 |
| Highest %    | 236,28                     | 173,32 | 163,48                       | 124,31 |
| Lowest %     | 128,64                     | 133,90 | 102,19                       | 101,56 |

### Breakdown of assets and liabilities according to their remaining maturities:

|   | Demand              | Up to<br>1 month    | 1-3<br>months       | 3-12<br>months    | 1-5<br>years      | 5 years<br>and over | Unclassified<br>(1),(2) | Total              |
|---|---------------------|---------------------|---------------------|-------------------|-------------------|---------------------|-------------------------|--------------------|
| <b>Current Period</b>   |                     |                     |                     |                   |                   |                     |                         |                    |
| <b>Assets</b>   |                     |                     |                     |                   |                   |                     |                         |                    |
| Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey | 5.554.411           | 17.414.477          | -                   | -                 | -                 | -                   | -                       | 22.968.888         |
| Banks   | 1.823.326           | 162.866             | 376.020             | 33.136            | -                 | -                   | -                       | 2.395.348          |
| Financial assets at fair value through profit or loss   | -                   | 189.183             | 162.812             | 469.839           | 276.271           | 98.911              | -                       | 1.197.016          |
| Money market placements   | -                   | 1.568.654           | -                   | -                 | -                 | -                   | -                       | 1.568.654          |
| Available-for-sale financial assets   | 69.551              | 274                 | 989.893             | 3.342.030         | 5.275.873         | 8.902.557           | 5.980                   | 18.586.158         |
| Loans   | -                   | 19.000.093          | 12.084.529          | 25.955.463        | 37.967.951        | 25.729.517          | 1.255.849               | 121.993.402        |
| Held-to-maturity investments  | -                   | -                   | -                   | -                 | 1.542.733         | 3.476.316           | -                       | 5.019.049          |
| Other assets <sup>(1)</sup>   | 1.122.017           | 1.016.910           | -                   | 73.024            | 178.942           | 4.179               | 5.077.698               | 7.472.770          |
| <b>Total assets</b>   | <b>8.569.305</b>    | <b>39.352.457</b>   | <b>13.613.254</b>   | <b>29.873.492</b> | <b>45.241.770</b> | <b>38.211.480</b>   | <b>6.339.527</b>        | <b>181.201.285</b> |
| <b>Liabilities</b>  |                     |                     |                     |                   |                   |                     |                         |                    |
| Bank deposits   | 506.736             | 1.421.033           | 32.118              | 15.594            | -                 | -                   | -                       | 1.975.481          |
| Other deposits  | 15.463.804          | 57.042.847          | 26.655.197          | 3.967.830         | 15.180            | -                   | -                       | 103.144.858        |
| Funds borrowed from other financial institutions  | -                   | 435.588             | 1.416.944           | 10.438.052        | 2.927.698         | 2.903.291           | -                       | 18.121.573         |
| Funds from money market   | -                   | 5.233.568           | 655.032             | 116.054           | 195.919           | -                   | -                       | 6.200.573          |
| Marketable securities issued  | -                   | 22.821              | 1.221.841           | 3.251.449         | 4.112.994         | 1.111.294           | -                       | 9.720.399          |
| Miscellaneous payables  | 7.444.411           | 956.973             | -                   | -                 | -                 | -                   | -                       | 8.401.384          |
| Other liabilities <sup>(2)</sup>  | 383.606             | 490.888             | 282.094             | 789.769           | 3.790.512         | 5.416.802           | 22.483.346              | 33.637.017         |
| <b>Total liabilities</b>  | <b>23.798.557</b>   | <b>65.603.718</b>   | <b>30.263.226</b>   | <b>18.578.748</b> | <b>11.042.303</b> | <b>9.431.387</b>    | <b>22.483.346</b>       | <b>181.201.285</b> |
| <b>Net liquidity gap</b>  | <b>(15.229.252)</b> | <b>(26.251.261)</b> | <b>(16.649.972)</b> | <b>11.294.744</b> | <b>34.199.467</b> | <b>28.780.093</b>   | <b>(16.143.819)</b>     | <b>-</b>           |
| <b>Prior Period</b>   |                     |                     |                     |                   |                   |                     |                         |                    |
| Total assets  | 6.138.005           | 35.822.430          | 13.018.089          | 22.867.641        | 34.873.193        | 30.239.702          | 5.922.252               | 148.881.312        |
| Total liabilities   | 15.349.461          | 60.046.863          | 17.228.410          | 17.710.423        | 11.326.245        | 7.625.266           | 19.594.644              | 148.881.312        |
| <b>Net liquidity gap</b>  | <b>(9.211.456)</b>  | <b>(24.224.433)</b> | <b>(4.210.321)</b>  | <b>5.157.218</b>  | <b>23.546.948</b> | <b>22.614.436</b>   | <b>(13.672.392)</b>     | <b>-</b>           |

(1) Assets that are necessary for continuance of banking activities and that cannot be liquidated in the short-term, such as fixed and intangible assets, investments in associates, subsidiaries, assets held for sale, stationary stocks, prepaid expenses and loans under follow-up, are classified in this column.

(2) Shareholders' equity is presented under the "Other liabilities" item in the "Unclassified" column.

## Information related to financial position of the Bank (continued)

### Breakdown of financial liabilities according to their remaining contractual maturities:

The maturity distribution of values at contracted maturity date of non-derivative financial liabilities is presented below. Maturity segments also include the interests of related assets and liabilities.

| Current Period <sup>(1)</sup>                    | Demand and up to<br>1 month | 1-3<br>months     | 3-12 months       | 1-5 years         | Above 5<br>years  | Total              |
|--|-----------------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| <b>Liabilities</b>                               |                             |                   |                   |                   |                   |                    |
| Deposits   | 74.796.381                  | 27.050.730        | 4.099.116         | 17.167            | -                 | 105.963.394        |
| Funds borrowed from other financial institutions | 449.068                     | 1.485.559         | 10.818.728        | 3.789.323         | 3.709.672         | 20.252.350         |
| Funds from money market                          | 5.241.125                   | 656.175           | 119.420           | 205.234           | -                 | 6.221.954          |
| Subordinated loans                               | -                           | 58.857            | 279.392           | 3.058.077         | 5.591.020         | 8.987.346          |
| Marketable securities issued                     | 46.746                      | 1.267.605         | 3.458.909         | 4.880.355         | 1.145.061         | 10.798.676         |
| <b>Total</b>                                     | <b>80.533.320</b>           | <b>30.518.926</b> | <b>18.775.565</b> | <b>11.950.156</b> | <b>10.445.753</b> | <b>152.223.720</b> |

(1) Maturities of non-cash loans are described in Note 3(iv) of Section V.

| Prior Period <sup>(1)</sup>                      | Demand and up to<br>1 month | 1-3<br>months     | 3-12 months       | 1-5 years         | Above 5<br>years | Total              |
|--|-----------------------------|-------------------|-------------------|-------------------|------------------|--------------------|
| <b>Liabilities</b>                               |                             |                   |                   |                   |                  |                    |
| Deposits   | 67.034.202                  | 14.244.426        | 5.546.669         | 176.563           | -                | 87.001.860         |
| Funds borrowed from other financial institutions | 247.608                     | 668.011           | 9.579.216         | 4.548.021         | 1.664.061        | 16.706.917         |
| Funds from money market                          | 898.606                     | 1.544.836         | 678.563           | 298.811           | -                | 3.420.816          |
| Subordinated loans                               | -                           | 75.410            | 287.226           | 3.277.800         | 5.465.517        | 9.105.953          |
| Marketable securities issued                     | 64.493                      | 732.402           | 1.553.624         | 3.201.510         | 1.115.907        | 6.667.936          |
| <b>Total</b>                                     | <b>68.244.909</b>           | <b>17.265.085</b> | <b>17.645.298</b> | <b>11.502.705</b> | <b>8.245.485</b> | <b>122.903.482</b> |

(1) Maturities of non-cash loans are described in Note 3(iv) of Section V.

### IX. Explanations on securitization positions:

None.

### X. Credit risk mitigation techniques:

The Bank does not use on-balance and off-balance sheet netting for the calculation of credit risk mitigation factors.

The Bank applies credit risk mitigation according to the comprehensive method in compliance with the article 34 of the "Regulation on Credit Risk Mitigation Techniques". Only cash and cash equivalent collaterals are taken into account for the purpose of credit risk migration.

Credit derivatives are not taken into consideration for credit risk mitigation techniques.

Cash and cash equivalent collaterals considered for the mitigating the credit risk, are taken into account at their nominal values. Standard margin is applied where currencies of exposure and the collateral are different.

Mortgage collaterals considered for mitigating the credit risk, are taken into account with the expertise value (which are also reviewed by the expert group of the Bank) determined by CMB licensed appraisal companies' experts. Based on these values of the collaterals, total amount of credit risk is determined in accordance with the maximum Loan-to-Value ratio set by BRSA. For the guarantees that are taken to mitigate the credit risk, credit worthiness of the guarantor is measured.

## Information related to financial position of the Bank (continued)

The Bank carries out its activities in accordance with the BRSA Communiqué for the valuation of the loans granted for financing of a real estate.

Cheques and notes in connection with a real business transaction are taken into consideration to mitigate the credit risk.

In order to use bank guarantee as collateral for a credit risk, it is required to have a counterparty limit on behalf of the guarantor bank and not to have mismatch of the maturity and the amount of the guarantee and the credit risk.

In the process of credit allocation, cash blockage guarantees, pledges, mortgages, guarantees and warranties are considered as risk-reducing collaterals.

The Bank's exposure to risks is measured and monitored periodically by using internationally recognized methods, in accordance with international and local regulations and internal policies. With regards to the limitation of risks, also internal limits are employed besides regulatory limits. Possible changes that may occur in the economic environment are taken into account for determining these limits.

### Information about guarantees according to risk classifications:

| Current Period   | Amount <sup>(1)</sup> | Financial guarantees <sup>(2)</sup> | Other / Physical guarantees <sup>(2)</sup> | Guarantees and credit derivatives <sup>(2)</sup> |
|--|-----------------------|-------------------------------------|--|--|
| Conditional and unconditional receivables from central governments or central banks                | 47.190.541            | 2.363.879                           | -  | -  |
| Conditional and unconditional receivables from regional or local governments                       | 746                   | -                                   | -  | -  |
| Conditional and unconditional receivables from administrative units and non-commercial enterprises | 13.935                | -                                   | -  | -  |
| Conditional and unconditional receivables from multilateral development banks                      | 190.172               | -                                   | -  | -  |
| Conditional and unconditional receivables from international organizations                         | -                     | -                                   | -  | -  |
| Conditional and unconditional receivables from banks and brokerage houses                          | 38.862.418            | 6.444                               | -  | -  |
| Conditional and unconditional receivables from corporates  | 235.907.782           | 3.852.502                           | -  | 53.910   |
| Conditional and unconditional retail receivables   | 111.067.051           | 342.916                             | -  | 20.332   |
| Conditional and unconditional receivables secured by mortgages                                     | 16.094.730            | -                                   | -  | -  |
| Past due receivables   | 1.255.849             | -                                   | -  | -  |
| Receivables defined in high risk category by the Regulator   | 12.247.441            | 44.349                              | -  | 26   |
| Securities collateralized by mortgages   | -                     | -                                   | -  | -  |
| Securitization positions   | -                     | -                                   | -  | -  |
| Short-term receivables from banks, brokerage houses and corporates                                 | -                     | -                                   | -  | -  |
| Other Receivables  | 6.965.621             | -                                   | -  | -  |
| <b>Total</b>   | <b>469.796.286</b>    | <b>6.610.090</b>                    | <b>-</b>                                   | <b>74.268</b>                                    |

(1) Figures represent the total amount of credit risks prior to the risk mitigating calculations as per the "Regulation on Credit Risk Mitigation Techniques".

(2) Figures represent the total amount of collaterals which are taken into consideration for the risk mitigating calculations. Other risk reducing items are not included in this table such as; mortgages, pledges, guarantees and warranties.

## Information related to financial position of the Bank (continued)

### XI. Strategies and policies of the risk management system:

Risk management strategy of the Bank includes measurement and monitoring of the risks with the methods that are defined in accordance with the international standards and local regulations. Also it includes having a sustainable growth in the framework of optimized capital use in accordance with the principle of keeping a balanced risk and return approach.

Risk Management Department including the sub-departments of "Credit Risk Control and Operational Risk Management", "Market Risk Management" and "Credit Risk Management", reports to the Board of Directors through the Audit Committee.

Credit risk rating models are mainly used to measure and monitor the credit risk. The rating model is used in day to day activities of the Bank such as, for the evaluation of new credit applications, determination of credit approval authority levels and monitoring the performance of the existing customer portfolio. Performance of the rating model is monitored by a validation team on a regular basis.

Reports related to the loan portfolio of the Bank are distributed to the relevant departments within the Bank, on a regular basis. Expected loss calculations for the Bank's loan portfolio are performed and used for determining the objectives and policies of the Bank.

Market Risk Analysis unit is responsible for measuring, monitoring and distributing the results of the market risk to the relevant departments within the Bank, as well as reviewing the valuation calculations of financial instruments, which are subject to market risk, in accordance with accounting standards.

The Bank's exposure to risks is measured and monitored periodically by using internationally recognized methods, in accordance with international regulations, local regulations and internal policies. In addition to the regulatory limits, there are also internal limits set to measure and monitor the risk. Possible changes that may occur in the economic environment are taken into account for determining these limits.

### XII. Explanations on the presentation of financial assets and liabilities at fair values:

The following table summarizes the carrying values and fair values of some financial assets and liabilities of the Bank. The carrying value represents the acquisition costs and accumulated interest accruals of corresponding financial assets or liabilities.

|  | Carrying value     |                    | Fair value         |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | Current Period     | Prior Period       | Current Period     | Prior Period       |
| <b>Financial assets</b>                          | <b>149.562.611</b> | <b>121.505.973</b> | <b>152.700.238</b> | <b>122.626.280</b> |
| Due from money market                            | 1.568.654          | 2.899.828          | 1.568.654          | 2.899.828          |
| Banks  | 2.395.348          | 3.001.646          | 2.396.447          | 3.001.990          |
| Available-for-sale financial assets              | 18.586.158         | 13.111.861         | 18.586.158         | 13.111.861         |
| Held-to-maturity investments                     | 5.019.049          | 6.453.908          | 5.279.582          | 6.456.637          |
| Loans  | 121.993.402        | 96.038.730         | 124.869.397        | 97.155.964         |
| <b>Financial liabilities</b>                     | <b>148.134.244</b> | <b>121.919.615</b> | <b>148.521.234</b> | <b>122.090.695</b> |
| Bank deposits                                    | 1.975.481          | 1.679.234          | 1.967.614          | 1.679.072          |
| Other deposits                                   | 103.144.858        | 84.628.393         | 103.216.546        | 84.699.905         |
| Funds borrowed from other financial institutions | 18.121.573         | 16.427.908         | 18.124.767         | 16.418.559         |
| Subordinated loans                               | 6.770.549          | 6.480.981          | 6.855.936          | 6.556.485          |
| Marketable securities issued                     | 9.720.399          | 5.846.760          | 9.954.987          | 5.880.335          |
| Miscellaneous payables                           | 8.401.384          | 6.856.339          | 8.401.384          | 6.856.339          |

The fair values of deposits, banks, securities issued and funds borrowed from other financial institutions are determined by calculating the discounted cash flows using the current market interest rates.

### Information related to financial position of the Bank (continued)

The fair value of held-to-maturity assets is determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The expected fair value of loans and receivables is determined by calculating the discounted cash flows using the current market interest rates for the loans with fixed interest rates. For the loans with floating interest rates (such as overdrafts and credit card receivables), it is assumed that the carrying value approaches to the fair value.

TFRS 7, "Financial Instruments: Disclosures", requires classification of line items at fair value presented at the financial statements according to the defined levels. These levels depend on the observability of data used for fair value calculations. Classification for fair value is generated as followed below:

Level 1: Assets or liabilities with prices recorded (unadjusted) in active markets

Level 2: Assets or liabilities that are excluded in the Level 1 of recorded prices directly observable by prices or indirectly observable derived through prices observable from similar assets or liabilities

Level 3: Assets and liabilities where no observable market data can be used for valuation

### Information related to financial position of the Bank (continued)

According to these classification principles stated, the Bank's classification of financial assets and liabilities carried at their fair value are as follows:

| Current Period   | Level 1           | Level 2          | Level 3          | Total             |
|--|-------------------|------------------|------------------|-------------------|
| <b>Financial assets at fair value through profit or (loss)</b> | <b>95.151</b>     | <b>1.101.865</b> | -                | <b>1.197.016</b>  |
| Government debt securities                                     | 95.151            | -                | -                | 95.151            |
| Share certificates   | -                 | -                | -                | -                 |
| Trading derivative financial assets                            | -                 | 1.101.865        | -                | 1.101.865         |
| Other marketable securities                                    | -                 | -                | -                | -                 |
| <b>Available-for-sale financial assets</b>                     | <b>16.322.255</b> | <b>2.257.923</b> | -                | <b>18.580.178</b> |
| Government debt securities                                     | 16.252.704        | -                | -                | 16.252.704        |
| Other marketable securities <sup>(1)</sup>                     | 69.551            | 2.257.923        | -                | 2.327.474         |
| <b>Subsidiaries<sup>(2)</sup></b>                              | -                 | -                | <b>2.434.550</b> | <b>2.434.550</b>  |
| <b>Hedging derivative financial assets</b>                     | -                 | <b>256.146</b>   | -                | <b>256.146</b>    |
| <b>Total assets</b>  | <b>16.417.406</b> | <b>3.615.934</b> | <b>2.434.550</b> | <b>22.467.890</b> |
| Trading derivative financial liabilities                       | -                 | 795.530          | -                | 795.530           |
| Hedging derivative financial liabilities                       | -                 | 439.791          | -                | 439.791           |
| Information on borrowings                                      | -                 | 1.163.996        | -                | 1.163.996         |
| <b>Total liabilities</b>                                       | -                 | <b>2.399.317</b> | -                | <b>2.399.317</b>  |



**Information related to financial position of the Bank (continued)**

| Prior Period   | Level 1           | Level 2          | Level 3          | Total             |
|--|-------------------|------------------|------------------|-------------------|
| <b>Financial assets at fair value through profit or (loss)</b> | <b>35.519</b>     | <b>1.629.723</b> | -                | <b>1.665.242</b>  |
| Government debt securities                                     | 35.519            | -                | -                | 35.519            |
| Share certificates   | -                 | -                | -                | -                 |
| Trading derivative financial assets                            | -                 | 1.628.528        | -                | 1.628.528         |
| Other marketable securities                                    | -                 | 1.195            | -                | 1.195             |
| <b>Available-for-sale financial assets</b>                     | <b>11.323.623</b> | <b>1.782.249</b> | -                | <b>13.105.872</b> |
| Government debt securities                                     | 11.237.105        | -                | -                | 11.237.105        |
| Other marketable securities <sup>(1)</sup>                     | 86.518            | 1.782.249        | -                | 1.868.767         |
| <b>Subsidiaries<sup>(2)</sup></b>                              | -                 | -                | <b>2.363.467</b> | <b>2.363.467</b>  |
| <b>Hedging derivative financial assets</b>                     | -                 | <b>467.627</b>   | -                | <b>467.627</b>    |
| <b>Total assets</b>  | <b>11.359.142</b> | <b>3.879.599</b> | <b>2.363.467</b> | <b>17.602.208</b> |
| Trading derivative financial liabilities                       | -                 | 843.556          | -                | 843.556           |
| Hedging derivative financial liabilities                       | -                 | 386.395          | -                | 386.395           |
| <b>Total liabilities</b>                                       | -                 | <b>1.229.951</b> | -                | <b>1.229.951</b>  |

(1) Non-listed share certificates amounting of TL 5.980 are accounted in accordance with TAS 39, at acquisition costs, are not included. (December 31, 2013 – TL 5.989)

(2) The Bank has sold its 7.548.164.112 shares in YKS, disclosed in Level 1, with a notional amount of full TL 75.481.641,12 representing 74,01% of its shares for full TL 1.410.079.178 to Allianz SE. ("Allianz").

Information on movement of subsidiaries indicated on Level 3 column:

|  | Current Period   | Prior Period     |
|--|------------------|------------------|
| <b>Opening Balance</b>                                 | <b>2.363.467</b> | <b>2.585.929</b> |
| <b>Movements during the period</b>                     | <b>71.083</b>    | <b>(222.462)</b> |
| Purchases  | 124.138          | 156              |
| Free shares obtained profit from current year's share  | -                | 15.107           |
| Sales  | -                | -                |
| Liquidation  | (39.558)         | -                |
| Transfers <sup>(1)</sup>                               | -                | 39.558           |
| Revaluation recognized in equity (decrease) / increase | (13.497)         | (277.283)        |
| <b>Balance at the end of the period</b>                | <b>2.434.550</b> | <b>2.363.467</b> |

(1) Since Tasfiye Halinde Yapı Kredi B Tipi Yatırım Ortaklığı A.Ş is delisted from İstanbul Stock Exchange, it is transferred to level 3, from level 1.

The subsidiaries of the Bank are measured at fair value. The fair value of the subsidiaries is determined by using "Gordon Growth Model" and "Multiple Comparison" models. For the Gordon Growth Model, a multiple is determined by using return on equity ratio of each subsidiaries based on their business plans with growth rate and discount factors. This multiple is used to calculate the fair value of the subsidiary by multiplying with its existing total equity figure.

## Information related to financial position of the Bank (continued)

### XIII. Explanations on hedge accounting:

The Bank applies the following hedge accounting models as of December 31, 2014:

- Fair value Hedge ("FVH")
- Cash Flow Hedge ("CFH")

Cross currency interest rate swaps are used as hedging instrument in FVH and interest rate swaps are used as hedging instrument in CFH.

Contractual amounts and the fair values as at December 31, 2014 of these hedging instruments are presented in the table below:

|                                   | Notional <sup>(1)</sup> | Current Period |                | Notional <sup>(1)</sup> | Prior Period   |                |
|-----------------------------------|-------------------------|----------------|----------------|-------------------------|----------------|----------------|
|                                   |                         | Asset          | Liability      |                         | Asset          | Liability      |
| <b>Hedging instrument</b>         |                         |                |                |                         |                |                |
| Interest rate swap                | 20.360.998              | 78.251         | 439.791        | 17.508.859              | 160.252        | 386.395        |
| Cross currency interest rate swap | 455.325                 | 177.895        | -              | 1.104.763               | 307.375        | -              |
| <b>Total</b>                      | <b>20.816.323</b>       | <b>256.146</b> | <b>439.791</b> | <b>18.613.622</b>       | <b>467.627</b> | <b>386.395</b> |

- (1) Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 21.080.221 (December 31, 2013 – TL 19.015.071) the total notional of derivative financial assets amounting to TL 41.896.544 (December 31, 2013 – TL 37.628.693) is accounted for in off-balance sheet under "Hedging Derivative Financial Instruments" line item.

The fair valuation methodology of the derivatives presented in the above table is disclosed in the accounting principles section of these financial statements in Section III. Part IV.

### Fair value hedge accounting:

Starting from March 1, 2009, the Bank has hedged the possible fair value effects of changes in market interest rates on part of its fixed interest TL mortgage and car loan portfolios and fair value effects of changes in foreign exchange rates on part of its foreign currency denominated funding by using cross-currency interest rate swaps. The Bank selected to apply macro FVH accounting for such relationship in accordance with TAS 39.

### Information related to financial position of the Bank (continued)

The impact of application of FVH accounting is summarized below:

| Current Period                     |   |  |  |   |           |  |
|------------------------------------|---|--|--|---|-----------|--|
| Type of hedging instrument         | Hedged item (asset and liability)   | Nature of hedged risks                                   | Fair value difference / adjustment of the hedged item <sup>(1)</sup> | Net fair value of the hedging instrument <sup>(2)</sup> |           | Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) <sup>(3)</sup> |
|                                    |   |  |  | Asset   | Liability |  |
|                                    |   |  |  |   |           |  |
| Cross currency interest rate swaps | Fixed interest TL mortgage and car loan portfolios and foreign currency funds | Fixed interest and changes in foreign exchange rate risk | (10.516)   | 177.895   | -         | (5.403)  |

- (1) The amount refers to the fair value of the hedged item calculated for the TL fixed interest mortgage and car loans in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency funding and cross-currency swaps are reflected to the income statement in foreign exchange gains / losses line item.
- (2) The amounts include the foreign exchange differences and net straight line interest accruals of the related derivatives.
- (3) The ineffective portion of the mentioned hedging transaction is TL 2.913.

## Information related to financial position of the Bank (continued)

| Prior Period                       |   |  |  |   |           |  |
|------------------------------------|---|--|--|---|-----------|--|
| Type of hedging instrument         | Hedged item (asset and liability)   | Nature of hedged risks                                   | Fair value difference / adjustment of the hedged item <sup>(1)</sup> | Net fair value of the hedging instrument <sup>(2)</sup> |           | Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) <sup>(3)</sup> |
|                                    |   |  |  | Asset   | Liability |  |
| Cross currency interest rate swaps | Fixed interest TL mortgage and car loan portfolios and foreign currency funds | Fixed interest and changes in foreign exchange rate risk | (5.113)  | 307.375   | -         | (153.748)  |

(1) The amount refers to the fair value of the hedged item calculated for the TL fixed interest mortgage and car loans in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency funding and cross-currency swaps are reflected to the income statement in foreign exchange gains / losses line item.

(2) The amounts include the foreign exchange differences and net straight line interest accruals of the related derivatives.

(3) The ineffective portion of the mentioned hedging transaction is TL 10.397.

At the inception date, the Bank documents the relationship between the hedging instruments and hedged items required by the FVH accounting application in accordance with TAS 39 and its own risk management policies and principles. Every individual relationship is approved and documented in accordance with the same methodology. In accordance with TAS 39, the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies. In the effectiveness tests, the fair values of the hedged item are calculated using the same assumptions used in calculation of fair values of the derivatives.

The effectiveness tests are performed prospectively and retrospectively on a monthly basis. At the inception date the effectiveness tests are performed prospectively. If the underlying hedge does not conform to the FVH accounting requirements (out of the 80%-125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation, the adjustments made to the carrying value (amortized cost) of the hedged item are amortized with the straight line method and recognized in the profit and loss accounts. In addition if the hedging instrument is sold or closed before its maturity, the amount of the fair value adjustments of the hedged items are amortized to profit and loss accounts with the straight line method.

### Cash flow hedge accounting:

The Bank started to apply macro cash flow hedge accounting from January 1, 2010 onwards in order to hedge its cash flow risk from floating interest rate liabilities. The hedging instruments are USD, EUR and TL interest rate swaps with floating receive, fixed pay legs, and the hedged item is the cash outflows due to financing of interests of repricing USD, EUR and TL deposits, borrowings and repos.

The impact of application of CFH accounting is summarized below:

| Current Period             |   |   |  |           |  |  |
|----------------------------|---|---|--|-----------|--|--|
| Type of hedging instrument | Hedged item (asset and liability)       | Nature of hedged risks                                  | Net fair value of the hedging instrument |           | Net gain/(loss) recognized in hedging funds <sup>(1)</sup> | Net gain/(loss) reclassified to equity <sup>(2)(3)</sup> |
|                            |   |   | Asset                                    | Liability |  |  |
| Interest rate swaps        | Customer deposits, borrowings and repos | Cash flow risk due to the changes in the interest rates | 78.251                                   | 439.791   | (297.009)  | (181.892)  |

(1) Includes deferred tax impact.

(2) Includes tax and foreign exchange differences.

(3) The ineffective portion of the mentioned hedging transaction is TL 12.225.

## Information related to financial position of the Bank (continued)

| Prior Period               |   |   |  |           |  |
|----------------------------|---|---|--|-----------|--|
| Type of hedging instrument | Hedged item (asset and liability)       | Nature of hedged risks                                  | Net fair value of the hedging instrument |           | Net gain/(loss) reclassified to equity <sup>(2)(3)</sup> |
|                            |   |   | Asset                                    | Liability |  |
| Interest rate swaps        | Customer deposits, borrowings and repos | Cash flow risk due to the changes in the interest rates | 160.252                                  | 386.395   | (115.117) 445.696  |

(1) Includes deferred tax impact.

(2) Includes tax and foreign exchange differences.

(3) The ineffective portion of the mentioned hedging transaction is TL 434.

At the inception date, the Bank documents the relationship between the hedging instruments and hedged items required by the CFH accounting application in accordance with TAS 39 and its own risk management policies and principles. Every individual relationship is approved and documented in the same way. In accordance with TAS 39, the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies.

The effectiveness tests are performed on a monthly basis. If the underlying hedge does not conform to the CFH accounting requirements (out of the 80%-125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation or the hedging instrument is sold or closed before its maturity, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs or is no longer expected to occur. When the hedged forecasted transactions are no longer expected to occur, the net cumulative gain or loss is reclassified from other comprehensive income to profit and loss.

### XIV. Explanations on the activities carried out on behalf of others and fiduciary transactions:

The Bank carries out trading, custody, management and consulting services on behalf of customers and on their account. The Bank has no fiduciary transactions.

### XV. Explanations on operating segments:

The Bank carries out its banking operations through three main business units:

(1) Retail Banking

(2) Corporate and Commercial Banking

(3) Private Banking and Wealth Management.

The Bank's Retail Banking activities include card payment systems, small medium size enterprises (SME) banking and individual banking. Retail Banking products and services offered to customers include card payment systems, consumer loans (including general purpose loans, auto loans, mortgages), commercial installment loans, SME loans, time and demand deposits, gold banking, investment accounts, life and non-life insurance products and payroll services. Card payment systems cover the management of products, services, campaigns for member merchants as well as the sales and activities for a variety of customer types. Crystal, Play, Adios and Taksitçi are the other card brands providing services for the different segments within the World brand, shopping and marketing platform of the Bank. The Bank also offers debit card and a prepaid card named World Hediye Card.

## Information related to financial position of the Bank (continued)

Corporate and Commercial Banking segment is organized into three subgroups: Corporate Banking for large-scale companies, Commercial Banking for medium-sized enterprises and Multinational Companies Banking for multinational companies. Corporate and Commercial Banking, has a product range of working capital finance, trade finance, project finance, domestic and international non-cash loans such as letters of credit and letters of guarantee, cash management and internet banking.

Through its Private Banking and Wealth Management activities, the Bank serves high net worth customers and delivers investment products to this customer segment. Among the products and services offered to Private Banking customers are time deposit products, capital guaranteed funds, mutual funds, Type A Type B funds, derivative products such as forwards, futures and options in domestic futures exchange (VOB) and international markets, personal loans, foreign exchange, gold and equity trading, pension plans, insurance products and 7/24 safe deposit boxes and e-banking services. Also, personal art advisory, inheritance advisory, real estate advisory, tax advisory and philanthropic advisory are offered within the Private Banking and Wealth Management activities.

The Bank's widespread branch network and alternative distribution channels including ATMs, telephone banking, internet banking and mobile banking are utilized to serve customers in all segments.

The below table is prepared in accordance with the Management Information System (MIS) data of the Bank.

### Major balance sheet and income statement items based on operating segments:

| Current Period   | Retail<br>banking | Corporate and<br>commercial<br>banking | Private<br>banking and<br>wealth<br>management | Treasury,<br>asset-liability<br>management<br>and other | Total<br>operations of<br>the Bank |
|--|-------------------|--|--|---|------------------------------------|
| Operating revenue continuing                               | 3.154.995         | 1.984.536                              | 193.161  | 2.654.658   | 7.987.350                          |
| Operating expenses continuing                              | (3.017.788)       | (595.230)                              | (88.712)                                       | (2.090.124)   | (5.791.854)                        |
| <b>Net operating income continuing</b>                     | <b>137.207</b>    | <b>1.389.306</b>                       | <b>104.449</b>                                 | <b>564.534</b>  | <b>2.195.496</b>                   |
| Dividend income <sup>(1)</sup>                             | -                 | -                                      | -  | 174.129   | 174.129                            |
| <b>Profit before tax</b>                                   | <b>137.207</b>    | <b>1.389.306</b>                       | <b>104.449</b>                                 | <b>738.663</b>  | <b>2.369.625</b>                   |
| Tax provision expense <sup>(1)</sup>                       | -                 | -                                      | -  | (524.659)   | (524.659)                          |
| <b>Net period income from continuing operations</b>        | <b>137.207</b>    | <b>1.389.306</b>                       | <b>104.449</b>                                 | <b>214.004</b>  | <b>1.844.966</b>                   |
| <b>Net period income from discontinued operations</b>      | <b>-</b>          | <b>-</b>                               | <b>-</b>                                       | <b>-</b>  | <b>-</b>                           |
| <b>Net profit</b>  | <b>137.207</b>    | <b>1.389.306</b>                       | <b>104.449</b>                                 | <b>214.004</b>  | <b>1.844.966</b>                   |
| Segment asset <sup>(2)</sup>                               | 56.570.591        | 56.386.444                             | 170.177  | 65.569.693  | 178.696.905                        |
| Investments in associates, subsidiaries and joint ventures | -                 | -                                      | -  | 2.504.380   | 2.504.380                          |
| <b>Total assets</b>  | <b>56.570.591</b> | <b>56.386.444</b>                      | <b>170.177</b>                                 | <b>68.074.073</b>                                       | <b>181.201.285</b>                 |
| Segment liabilities <sup>(2)</sup>                         | 41.080.689        | 44.598.409                             | 22.300.382                                     | 54.095.433  | 162.074.913                        |
| Shareholders' equity                                       | -                 | -                                      | -  | 19.126.372  | 19.126.372                         |
| <b>Total liabilities</b>                                   | <b>41.080.689</b> | <b>44.598.409</b>                      | <b>22.300.382</b>                              | <b>73.221.805</b>                                       | <b>181.201.285</b>                 |

## Information related to financial position of the Bank (continued)

| Prior Period   | Retail<br>banking | Corporate and<br>commercial<br>banking | Private<br>banking and<br>wealth<br>management | Treasury,<br>asset-liability<br>management<br>and other | Total<br>operations of<br>the Bank |
|--|-------------------|--|--|---|------------------------------------|
| Operating revenue continuing                               | 3,041.777         | 1,705.313                              | 159.474  | 2,331.393   | 7,237.957                          |
| Operating expenses continuing                              | (2,522.807)       | (470.916)                              | (72.996)                                       | (1,747.698)   | (4,814.417)                        |
| <b>Net operating income continuing</b>                     | <b>518.970</b>    | <b>1,234.397</b>                       | <b>86.478</b>                                  | <b>583.695</b>  | <b>2,423.540</b>                   |
| Dividend income <sup>(1)</sup>                             | -                 | -                                      | -  | 132.787   | 132.787                            |
| <b>Profit before tax</b>                                   | <b>518.970</b>    | <b>1,234.397</b>                       | <b>86.478</b>                                  | <b>716.482</b>  | <b>2,556.327</b>                   |
| Tax provision expense <sup>(1)</sup>                       | -                 | -                                      | -  | (525.787)   | (525.787)                          |
| <b>Net period income from continuing operations</b>        | <b>518.970</b>    | <b>1,234.397</b>                       | <b>86.478</b>                                  | <b>190.695</b>  | <b>2,030.540</b>                   |
| <b>Net period income from discontinued operations</b>      | <b>-</b>          | <b>-</b>                               | <b>-</b>                                       | <b>1,172.435</b>  | <b>1,172.435</b>                   |
| <b>Net profit</b>  | <b>518.970</b>    | <b>1,234.397</b>                       | <b>86.478</b>                                  | <b>1,363.130</b>  | <b>3,202.975</b>                   |
| Segment asset <sup>(2)</sup>                               | 47,229.794        | 41,802.945                             | 177.420  | 57,237.856  | 146,448.015                        |
| Investments in associates, subsidiaries and joint ventures | -                 | -                                      | -  | 2,433.297   | 2,433.297                          |
| <b>Total assets</b>  | <b>47,229.794</b> | <b>41,802.945</b>                      | <b>177.420</b>                                 | <b>59,671.153</b>                                       | <b>148,881.312</b>                 |
| Segment liabilities <sup>(2)</sup>                         | 34,135.357        | 35,600.735                             | 18,846.849                                     | 42,989.422  | 131,572.363                        |
| Shareholders' equity                                       | -                 | -                                      | -  | 17,308.949  | 17,308.949                         |
| <b>Total liabilities</b>                                   | <b>34,135.357</b> | <b>35,600.735</b>                      | <b>18,846.849</b>                              | <b>60,298.371</b>                                       | <b>148,881.312</b>                 |

- (1) Dividend income and tax provision have not been distributed based on operating segments and presented under "Treasury, Asset-Liability Management and Other".
- (2) Segment asset and liability balances are extracted from Management Information Systems (MIS).

## Section Five: Explanations and notes related to unconsolidated financial statements

### I. Explanations and notes related to assets

#### a. Information related to cash and the account of the Central Bank of the Republic of Turkey (the "CBRT"):

##### 1. Information on cash and the account of the CBRT:

|                         | Current Period   |                   | Prior Period     |                   |
|-------------------------|------------------|-------------------|------------------|-------------------|
|                         | TL               | FC                | TL               | FC                |
| Cash                    | 1.696.963        | 517.372           | 1.287.179        | 461.674           |
| The CBRT <sup>(1)</sup> | 1.293.701        | 19.460.663        | 43.293           | 16.984.910        |
| Other                   | -                | 189               | -                | 126               |
| <b>Total</b>            | <b>2.990.664</b> | <b>19.978.224</b> | <b>1.330.472</b> | <b>17.446.710</b> |

(1) The balance of gold amounting to TL 3.302.860 is accounted for under the Central Bank foreign currency account (December 31, 2013 – TL 2.923.543).

##### 2. Information on the account of the CBRT:

|   | Current Period   |                   | Prior Period  |                   |
|---|------------------|-------------------|---------------|-------------------|
|   | TL               | FC                | TL            | FC                |
| Demand unrestricted amount <sup>(1) (2)</sup> | 1.293.701        | 2.046.196         | 43.293        | 2.023.825         |
| Time unrestricted amount                      | -                | -                 | -             | -                 |
| Reserve requirement <sup>(3)</sup>            | -                | 17.414.467        | -             | 14.961.085        |
| <b>Total</b>                                  | <b>1.293.701</b> | <b>19.460.663</b> | <b>43.293</b> | <b>16.984.910</b> |

(1) According to the letter received from BRSA on January 3, 2008, average reserve requirements balances monitored under CBRT demand deposit account.

(2) In accordance with the announcement of CBRT numbered 2014-72 and dated October 21, 2014, interest payment on TL reserve balances (including the average balance) is started on quarterly basis, starting from November 2014.

(3) According to the "Required Reserves Communiqué", numbered 2005/1, Bank is required to maintain reserves for liabilities in TL, USD, EUR and gold currencies

#### b. Information on financial assets at fair value through profit and loss:

1. The Bank does not have financial assets at fair value through profit and loss subject to repo transactions and does not have financial assets at fair value through profit and loss given as collateral/blocked amount (December 31, 2013 - None).

#### c. Positive differences related to trading derivative financial assets:

|                      | Current Period |                | Prior Period     |                |
|----------------------|----------------|----------------|------------------|----------------|
|                      | TL             | FC             | TL               | FC             |
| Forward transactions | 48.509         | -              | 180.238          | -              |
| Swap transactions    | 905.200        | 102.595        | 1.183.707        | 83.328         |
| Futures transactions | -              | -              | -                | -              |
| Options              | 27.318         | 18.243         | 160.289          | 20.966         |
| Other                | -              | -              | -                | -              |
| <b>Total</b>         | <b>981.027</b> | <b>120.838</b> | <b>1.524.234</b> | <b>104.294</b> |

Explanations and notes related to unconsolidated financial statements (continued)

ç. Information on banks:

1. Information on banks:

|                                   | Current Period |                  | Prior Period   |                  |
|-----------------------------------|----------------|------------------|----------------|------------------|
|                                   | TL             | FC               | TL             | FC               |
| Banks                             |                |                  |                |                  |
| Domestic                          | 88.347         | 4.967            | 464.738        | 204.829          |
| Foreign <sup>(1)</sup>            | 3.296          | 2.298.738        | 41.634         | 2.290.445        |
| Head quarters and branches abroad | -              | -                | -              | -                |
| <b>Total</b>                      | <b>91.643</b>  | <b>2.303.705</b> | <b>506.372</b> | <b>2.495.274</b> |

(1) The balance of foreign currency account in foreign banks includes the balance of gold amounting to TL 59.588 (December 31, 2013 – TL 294.275).

2. Information on foreign banks account:

|                               | Unrestricted amount |                  | Restricted amount |                |
|-------------------------------|---------------------|------------------|-------------------|----------------|
|                               | Current Period      | Prior Period     | Current Period    | Prior Period   |
| EU countries                  | 1.150.673           | 1.079.454        | 111.270           | 187.412        |
| USA, Canada                   | 965.166             | 986.439          | -                 | -              |
| OECD countries <sup>(1)</sup> | 23.169              | 44.497           | -                 | -              |
| Off-shore banking regions     | 123                 | 206              | -                 | -              |
| Other                         | 51.633              | 34.071           | -                 | -              |
| <b>Total</b>                  | <b>2.190.764</b>    | <b>2.144.667</b> | <b>111.270</b>    | <b>187.412</b> |

(1) Includes OECD countries except EU countries, USA and Canada.

d. Information on available-for-sale financial assets which are subject to repurchase agreements and given as collateral / blocked:

Carrying values of available-for-sale financial assets which are subject to repurchase agreements and given as collateral / blocked

Available-for-sale financial assets given as collateral/blocked amounts to TL 1.098.021 (December 31, 2013 - TL 709.201) and available-for-sale financial assets subject to repo transactions amounts to TL 4.607.767 (December 31, 2013 – TL 2.320.047).



e. Information on available-for-sale financial assets:

|   | Current Period    | Prior Period      |
|---|-------------------|-------------------|
| Debt securities                         | 18.576.430        | 13.393.691        |
| Quoted on stock exchange                | 17.045.319        | 11.699.818        |
| Not quoted <sup>(1)</sup>               | 1.531.111         | 1.693.873         |
| Share certificates                      | 51.298            | 51.299            |
| Quoted on stock exchange                | -                 | -                 |
| Not quoted                              | 51.298            | 51.299            |
| Impairment provision (-) <sup>(2)</sup> | (114.222)         | (425.276)         |
| Other <sup>(3)</sup>                    | 72.652            | 92.147            |
| <b>Total</b>                            | <b>18.586.158</b> | <b>13.111.861</b> |

- (1) Includes credit linked notes amounting to TL 986.135. (December 31, 2013 - TL 989.937).  
(2) The figure includes the negative differences between the cost and the market price of the securities and the impairment provisions, if any.  
(3) Other available-for-sale financial assets include mutual funds.

f. Explanations on loans:

1. Information on all types of loans or advance balances given to shareholders and employees of the Bank:

|   | Current Period |                | Prior Period   |                |
|---|----------------|----------------|----------------|----------------|
|   | Cash           | Non-cash       | Cash           | Non-cash       |
| <b>Direct loans granted to shareholders</b>   | -              | -              | -              | -              |
| Corporate shareholders                        | -              | -              | -              | -              |
| Real person shareholders                      | -              | -              | -              | -              |
| <b>Indirect loans granted to shareholders</b> | <b>29.825</b>  | <b>536.763</b> | <b>20.756</b>  | <b>450.294</b> |
| <b>Loans granted to employees</b>             | <b>127.270</b> | <b>412</b>     | <b>109.391</b> | <b>470</b>     |
| <b>Total</b>                                  | <b>157.095</b> | <b>537.175</b> | <b>130.147</b> | <b>450.764</b> |

Explanations and notes related to unconsolidated financial statements (continued)

2. Information on the first and second group loans and other receivables and loans and other receivables that have been restructured or rescheduled:

| Cash Loans                      | Standard loans and other receivables |  |       | Loans and other receivables under close monitoring |  |               |
|---------------------------------|--------------------------------------|--|-------|--|--|---------------|
|                                 | Loans and other receivables (Total)  | of which, terms & conditions are changed |       | Loans and other receivables (Total)                | of which, terms & conditions are changed |               |
|                                 |                                      | Payment plan extensions                  | Other |  | Payment plan extensions                  | Other         |
| <b>Non-specialized loans</b>    | <b>116.679.116</b>                   | <b>1.457.751</b>                         | -     | <b>4.058.437</b>                                   | <b>1.548.463</b>                         | <b>28.765</b> |
| Loans given to enterprises      | 54.567.274                           | 230.384                                  | -     | 1.175.819  | 687.276                                  | 7.582         |
| Export loans                    | 5.060.174                            | 83.049                                   | -     | 68.834   | 84.332                                   | -             |
| Import loans                    | -                                    | -  | -     | -  | -  | -             |
| Loans given to financial sector | 2.660.884                            | -  | -     | 44   | -  | -             |
| Consumer loans                  | 22.383.514                           | 587.348                                  | -     | 1.173.988  | 130.835                                  | 13.717        |
| Credit cards                    | 17.029.940                           | 376.372                                  | -     | 646.516  | 275.178                                  | 6.572         |
| Other <sup>(1)</sup>            | 14.977.330                           | 180.598                                  | -     | 993.236  | 370.842                                  | 894           |
| <b>Specialized loans</b>        | -                                    | -  | -     | -  | -  | -             |
| <b>Other receivables</b>        | -                                    | -  | -     | -  | -  | -             |
| <b>Total</b>                    | <b>116.679.116</b>                   | <b>1.457.751</b>                         | -     | <b>4.058.437</b>                                   | <b>1.548.463</b>                         | <b>28.765</b> |

(1) Fair value differences of the hedged item amounting to TL (10.516) are classified in other loans as explained in Note IV, Section XIII.

| Number of modifications made to extend payment plan <sup>(1)(2)(3)</sup> | Standard loans and other receivables | Loans and other receivables under close monitoring |
|--|--------------------------------------|--|
| Extended by 1 or 2 times   | 1.418.333                            | 1.291.461  |
| Extended by 3,4 or 5 times   | 22.072                               | 249.326  |
| Extended by more than 5 times  | 17.346                               | 7.676  |
| <b>Total</b>   | <b>1.457.751</b>                     | <b>1.548.463</b>                                   |

| Extended period of time <sup>(1)(2)(3)</sup> | Standard loans and other receivables | Loans and other receivables under close monitoring |
|--|--------------------------------------|--|
| 0 - 6 Months                                 | 754.974                              | 412.524  |
| 6 - 12 Months                                | 156.783                              | 156.100  |
| 1 - 2 Years                                  | 266.973                              | 236.451  |
| 2 - 5 Years                                  | 220.868                              | 239.247  |
| 5 Years and over                             | 58.153                               | 504.141  |
| <b>Total</b>                                 | <b>1.457.751</b>                     | <b>1.548.463</b>                                   |

- (1) There is no loan which is subject to the temporary article 5 subsection 2 of the amendment of Provisioning Regulation dated on April 09, 2011.
- (2) There are twenty seven loans restructured in accordance with temporary article 6 subsection 2 of the amendment of Provisioning Regulation dated December 30, 2011 with maturities between 0 to 6 month, 6 to 12 month, 1 to 2 years, 2 to 5 years, 5 years and over .Twenty fourth of them was restructured once, and rest of the three are restructured three times.
- (3) There is no loan which is subject to the temporary article 7 of the amendment of Provisioning Regulation dated on September 21, 2012.

## Explanations and notes related to unconsolidated financial statements (continued)

### 3. Loans according to their maturity structure:

|   | Standard loans and other receivables |                               | Loans and other receivables under close monitoring |                               |
|---|--------------------------------------|-------------------------------|--|-------------------------------|
|   | Loans and other receivables          | Agreement conditions modified | Loans and other receivables                        | Agreement conditions modified |
| <b>Short-term loans and other receivables</b>           | <b>44.762.083</b>                    | <b>583.154</b>                | <b>891.814</b>                                     | <b>326.326</b>                |
| Non-specialised loans                                   | 44.762.083                           | 583.154                       | 891.814  | 326.326                       |
| Specialised loans                                       | -                                    | -                             | -  | -                             |
| Other receivables                                       | -                                    | -                             | -  | -                             |
| <b>Medium and long-term loans and other receivables</b> | <b>70.459.282</b>                    | <b>874.597</b>                | <b>1.589.395</b>                                   | <b>1.250.902</b>              |
| Non-specialised loans                                   | 70.459.282                           | 874.597                       | 1.589.395  | 1.250.902                     |
| Specialised loans                                       | -                                    | -                             | -  | -                             |
| Other receivables                                       | -                                    | -                             | -  | -                             |

### 4.(i) Information on loans by types and specific provisions:

| <b>Current Period</b>       | <b>Corporate, commercial and other loans</b> | <b>Consumer loans</b> | <b>Credit cards</b> | <b>Total</b>       |
|-----------------------------|--|-----------------------|---------------------|--------------------|
| Standard loans              | 77.265.662                                   | 22.383.514            | 17.029.940          | 116.679.116        |
| Watch list                  | 2.237.933                                    | 1.173.988             | 646.516             | 4.058.437          |
| Loans under legal follow-up | 2.678.396                                    | 1.046.973             | 608.406             | 4.333.775          |
| Specific provisions (-)     | (1.943.823)                                  | (755.004)             | (379.099)           | (3.077.926)        |
| <b>Total</b>                | <b>80.238.168</b>                            | <b>23.849.471</b>     | <b>17.905.763</b>   | <b>121.993.402</b> |

| <b>Prior Period</b>         | <b>Corporate, commercial and other loans</b> | <b>Consumer loans</b> | <b>Credit cards</b> | <b>Total</b>      |
|-----------------------------|--|-----------------------|---------------------|-------------------|
| Standard loans              | 56.647.479                                   | 17.394.879            | 18.441.976          | 92.484.334        |
| Watch list                  | 1.230.648                                    | 883.991               | 292.270             | 2.406.909         |
| Loans under legal follow-up | 2.291.198                                    | 830.435               | 435.970             | 3.557.603         |
| Specific provisions (-)     | (1.571.108)                                  | (551.481)             | (287.527)           | (2.410.116)       |
| <b>Total</b>                | <b>58.598.217</b>                            | <b>18.557.824</b>     | <b>18.882.689</b>   | <b>96.038.730</b> |

### (ii) Fair value of collaterals:

| <b>Current Period</b>                      | <b>Corporate, commercial and other loans</b> | <b>Consumer loans</b> | <b>Credit cards</b> | <b>Total</b>     |
|--|--|-----------------------|---------------------|------------------|
| Watch list                                 | 316.894                                      | 743.142               | -                   | 1.060.036        |
| Loans under legal follow-up <sup>(1)</sup> | 359.697                                      | 39.438                | -                   | 399.135          |
| <b>Total</b>                               | <b>676.591</b>                               | <b>782.580</b>        | <b>-</b>            | <b>1.459.171</b> |

| <b>Prior Period</b>                        | <b>Corporate, commercial and other loans</b> | <b>Consumer loans</b> | <b>Credit cards</b> | <b>Total</b>     |
|--|--|-----------------------|---------------------|------------------|
| Watch list                                 | 353.521                                      | 407.371               | -                   | 760.892          |
| Loans under legal follow-up <sup>(1)</sup> | 346.377                                      | 37.883                | -                   | 384.260          |
| <b>Total</b>                               | <b>699.898</b>                               | <b>445.254</b>        | <b>-</b>            | <b>1.145.152</b> |

(1) Fair values of collaterals received for non-performing loans are calculated by using hair-cuts over their nominal values in accordance with the "Regulation of Procedures for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside".

Explanations and notes related to unconsolidated financial statements (continued)

5. Information on consumer loans, individual credit cards, personnel loans and personnel credit cards:

|  | Short- term       | Medium<br>and long-term | Total             |
|--|-------------------|-------------------------|-------------------|
| <b>Consumer loans-TL</b>                                     | <b>203.395</b>    | <b>22.684.067</b>       | <b>22.887.462</b> |
| Real estate loans  | 7.900             | 10.860.952              | 10.868.852        |
| Automotive loans   | 4.517             | 671.636                 | 676.153           |
| Consumer loans   | 1.932             | 97.707                  | 99.639            |
| Other  | 189.046           | 11.053.772              | 11.242.818        |
| <b>Consumer loans-FC indexed</b>                             | <b>-</b>          | <b>59.126</b>           | <b>59.126</b>     |
| Real estate loans  | -                 | 58.425                  | 58.425            |
| Automotive loans   | -                 | -                       | -                 |
| Consumer loans   | -                 | 701                     | 701               |
| Other  | -                 | -                       | -                 |
| <b>Individual credit cards-TL</b>                            | <b>12.694.359</b> | <b>714.918</b>          | <b>13.409.277</b> |
| With installments  | 6.595.800         | 709.479                 | 7.305.279         |
| Without installments   | 6.098.559         | 5.439                   | 6.103.998         |
| <b>Personnel loans-TL</b>                                    | <b>5.651</b>      | <b>54.547</b>           | <b>60.198</b>     |
| Real estate loans  | -                 | 1.179                   | 1.179             |
| Automotive loans   | -                 | 526                     | 526               |
| Consumer loans   | -                 | -                       | -                 |
| Other  | 5.651             | 52.842                  | 58.493            |
| <b>Personnel loans-FC indexed</b>                            | <b>-</b>          | <b>-</b>                | <b>-</b>          |
| Real estate loans  | -                 | -                       | -                 |
| Automotive loans   | -                 | -                       | -                 |
| Consumer loans   | -                 | -                       | -                 |
| Other  | -                 | -                       | -                 |
| <b>Personnel credit cards-TL</b>                             | <b>65.367</b>     | <b>538</b>              | <b>65.905</b>     |
| With installments  | 29.938            | 538                     | 30.476            |
| Without installments   | 35.429            | -                       | 35.429            |
| <b>Credit deposit account-TL (real person)<sup>(1)</sup></b> | <b>550.716</b>    | <b>-</b>                | <b>550.716</b>    |
| <b>Total</b>   | <b>13.519.488</b> | <b>23.513.196</b>       | <b>37.032.684</b> |

(1) TL 1.167 of the credit deposit account belongs to the loans used by personnel.

Explanations and notes related to unconsolidated financial statements (continued)

6. Information on commercial installment loans and corporate credit cards:

|   | Short-term       | Medium<br>and long-term | Total             |
|---|------------------|-------------------------|-------------------|
| <b>Commercial installments loans-TL</b>         | <b>924.361</b>   | <b>8.399.319</b>        | <b>9.323.680</b>  |
| Business loans                                  | 3.575            | 610.039                 | 613.614           |
| Automotive loans                                | 40.627           | 1.819.332               | 1.859.959         |
| Consumer loans                                  | 2.807            | 17.257                  | 20.064            |
| Other   | 877.352          | 5.952.691               | 6.830.043         |
| <b>Commercial installments loans-FC indexed</b> | <b>25.484</b>    | <b>258.613</b>          | <b>284.097</b>    |
| Business loans                                  | -                | 16.126                  | 16.126            |
| Automotive loans                                | 112              | 62.857                  | 62.969            |
| Consumer loans                                  | 116              | -                       | 116               |
| Other   | 25.256           | 179.630                 | 204.886           |
| <b>Corporate credit cards-TL</b>                | <b>4.194.635</b> | <b>6.639</b>            | <b>4.201.274</b>  |
| With installment                                | 2.736.029        | 6.330                   | 2.742.359         |
| Without installment                             | 1.458.606        | 309                     | 1.458.915         |
| <b>Credit deposit account-TL (legal person)</b> | <b>893.675</b>   | <b>-</b>                | <b>893.675</b>    |
| <b>Total</b>                                    | <b>6.038.155</b> | <b>8.664.571</b>        | <b>14.702.726</b> |

7. Loans according to types of borrowers:

|              | Current Period     | Prior Period      |
|--------------|--------------------|-------------------|
| Public       | 1.698.012          | 997.751           |
| Private      | 119.039.541        | 93.893.492        |
| <b>Total</b> | <b>120.737.553</b> | <b>94.891.243</b> |

8. Distribution of domestic and foreign loans: Distribution has been disclosed based on the location where the customers operate.

|                | Current Period     | Prior Period      |
|----------------|--------------------|-------------------|
| Domestic loans | 119.351.163        | 93.454.949        |
| Foreign loans  | 1.386.390          | 1.436.294         |
| <b>Total</b>   | <b>120.737.553</b> | <b>94.891.243</b> |

9. Loans granted to associates and subsidiaries:

|   | Current Period | Prior Period   |
|---|----------------|----------------|
| Direct loans granted to associates and subsidiaries   | 99.878         | 109.348        |
| Indirect loans granted to associates and subsidiaries | -              | -              |
| <b>Total</b>  | <b>99.878</b>  | <b>109.348</b> |

## Explanations and notes related to unconsolidated financial statements (continued)

### 10. Specific provisions provided against loans:

|  | Current Period   | Prior Period     |
|--|------------------|------------------|
| Loans and other receivables with limited collectibility  | 96.941           | 111.903          |
| Loans and other receivables with doubtful collectibility | 477.579          | 422.430          |
| Uncollectible loans and other receivables                | 2.503.406        | 1.875.783        |
| <b>Total</b>   | <b>3.077.926</b> | <b>2.410.116</b> |

| Current Period   | Corporate,<br>commercial and<br>other loans | Consumer loans | Credit cards   | Total            |
|--|---|----------------|----------------|------------------|
| <b>January 1</b>   | <b>1.571.108</b>                            | <b>551.481</b> | <b>287.527</b> | <b>2.410.116</b> |
| Allowance for impairment   | 839.071                                     | 646.218        | 428.077        | 1.913.366        |
| Amount recovered during the period                                     | (319.387)                                   | (346.655)      | (121.368)      | (787.410)        |
| Loans written off during the period as<br>uncollectible <sup>(1)</sup> | (146.969)                                   | (96.040)       | (215.137)      | (458.146)        |
| <b>December 31</b>   | <b>1.943.823</b>                            | <b>755.004</b> | <b>379.099</b> | <b>3.077.926</b> |

| Prior Period   | Corporate,<br>commercial and<br>other loans | Consumer loans | Credit cards   | Total            |
|--|---|----------------|----------------|------------------|
| <b>January 1</b>   | <b>1.000.877</b>                            | <b>286.258</b> | <b>263.966</b> | <b>1.551.101</b> |
| Allowance for impairment   | 769.160                                     | 571.716        | 308.649        | 1.649.525        |
| Amount recovered during the period                                     | (198.929)                                   | (306.493)      | (82.616)       | (588.038)        |
| Loans written off during the period as<br>uncollectible <sup>(1)</sup> | -   | -              | (202.472)      | (202.472)        |
| <b>December 31</b>   | <b>1.571.108</b>                            | <b>551.481</b> | <b>287.527</b> | <b>2.410.116</b> |

(1) Also includes the effects of the sales of non-performing loan portfolios.

### 11. Information on non-performing loans (net):

(i). Information on non-performing loans restructured or rescheduled, and other receivables:

|   | III. Group<br>Loans and other<br>receivables with<br>limited<br>collectibility | IV. Group<br>Loans and other<br>receivables with<br>doubtful<br>collectibility | V. Group<br>Uncollectible<br>loans<br>and other<br>receivables |
|---|--|--|--|
| <b>Current Period</b>                           | <b>12.977</b>  | <b>32.628</b>  | <b>304.889</b>   |
| <b>(Gross amounts before specific reserves)</b> |  |  |  |
| Restructured loans and other receivables        | 12.977   | 32.628   | 304.889  |
| Rescheduled loans and other receivables         | -  | -  | -  |
| <b>Prior Period</b>                             | <b>4.701</b>   | <b>40.937</b>  | <b>216.811</b>   |
| <b>(Gross amounts before specific reserves)</b> |  |  |  |
| Restructured loans and other receivables        | 4.701  | 40.937   | 216.811  |
| Rescheduled loans and other receivables         | -  | -  | -  |

Explanations and notes related to unconsolidated financial statements (continued)

(ii). Information on the movement of total non-performing loans:

|  | III. Group<br>Loans and other<br>receivables with<br>limited<br>collectibility | IV. Group<br>Loans and other<br>receivables with<br>doubtful collectibility | V. Group<br>Uncollectible<br>loans<br>and other<br>receivables |
|--|--|---|--|
| <b>Prior Period</b>  | <b>599.239</b>   | <b>911.214</b>  | <b>2.047.150</b>   |
| Additions (+)  | 1.997.281  | 103.621   | 78.622   |
| Transfers from other categories of non-performing loans<br>(+) | -  | 1.760.502   | 1.483.534  |
| Transfer to other categories of non-performing<br>loans (-)    | 1.760.502  | 1.483.534   | -  |
| Collections (-)  | 216.078  | 251.577   | 477.551  |
| Write-offs(-)  | -  | -   | 458.146  |
| Corporate and commercial loans                                 | -  | -   | 146.969  |
| Consumer loans   | -  | -   | 96.040   |
| Credit cards   | -  | -   | 215.137  |
| Other  | -  | -   | -  |
| <b>Current Period</b>  | <b>619.940</b>   | <b>1.040.226</b>  | <b>2.673.609</b>   |
| Specific provision (-)   | (96.941)   | (477.579)   | (2.503.406)  |
| <b>Net balance on balance sheet</b>                            | <b>522.999</b>   | <b>562.647</b>  | <b>170.203</b>   |

The Bank sold part of its non-performing loan portfolios to various asset management companies for a consideration of TL 52.270, in accordance with the Board of Directors' decisions during the year 2014.

(iii). Information on non-performing loans granted as foreign currency loans:

|                                     | III. Group<br>Loans and other<br>receivables with<br>limited<br>collectibility | IV. Group<br>Loans and other<br>receivables with<br>doubtful collectibility | V. Group<br>Uncollectible<br>loans<br>and other receivables |
|-------------------------------------|--|---|---|
| <b>Current Period</b>               |  |   |   |
| Period end balance                  | 57.731   | 11.158  | 502.362   |
| Specific provision (-)              | (2.280)  | (7.858)   | (364.273)   |
| <b>Net balance on-balance sheet</b> | <b>55.451</b>  | <b>3.300</b>  | <b>138.089</b>  |
| <b>Prior Period</b>                 |  |   |   |
| Period end balance                  | 117.601  | 7.276   | 376.599   |
| Specific provision (-)              | (23.517)   | (6.273)   | (261.633)   |
| <b>Net balance on-balance sheet</b> | <b>94.084</b>  | <b>1.003</b>  | <b>114.966</b>  |

## Explanations and notes related to consolidated financial statements (continued)

(iv). Information on the gross and net amounts of the non-performing loans according to types of borrowers:

|  | III. Group  | IV. Group  | V. Group                                  |
|--|---|--|---|
|  | Loans and other receivables with limited collectibility | Loans and other receivables with doubtful collectibility | Uncollectible loans and other receivables |
| <b>Current Period (net)</b>                                  | <b>522.999</b>  | <b>562.647</b>   | <b>170.203</b>                            |
| Loans granted to real persons and corporate entities (gross) | 619.940   | 1.040.226  | 2.565.013                                 |
| Specific provision amount (-)                                | (96.941)  | (477.579)  | (2.394.810)                               |
| Loans granted to real persons and corporate entities (net)   | 522.999   | 562.647  | 170.203                                   |
| Banks (gross)  | -   | -  | 24.600                                    |
| Specific provision amount (-)                                | -   | -  | (24.600)                                  |
| Banks (net)  | -   | -  | -   |
| Other loans and receivables (gross)                          | -   | -  | 83.996                                    |
| Specific provision amount (-)                                | -   | -  | (83.996)                                  |
| Other loans and receivables (net) <sup>(1)</sup>             | -   | -  | -   |
| <b>Prior Period (net)</b>                                    | <b>487.336</b>  | <b>488.784</b>   | <b>171.367</b>                            |
| Loans granted to real persons and corporate entities (gross) | 599.239   | 911.214  | 1.938.572                                 |
| Specific provision amount (-)                                | (111.903)   | (422.430)  | (1.767.205)                               |
| Loans granted to real persons and corporate entities (net)   | 487.336   | 488.784  | 171.367                                   |
| Banks (gross)  | -   | -  | 24.582                                    |
| Specific provision amount (-)                                | -   | -  | (24.582)                                  |
| Banks (net)  | -   | -  | -   |
| Other loans and receivables (gross)                          | -   | -  | 83.996                                    |
| Specific provision amount (-)                                | -   | -  | (83.996)                                  |
| Other loans and receivables (net) <sup>(1)</sup>             | -   | -  | -   |

(1) The figure represents the total loans and receivables of Agrosan Kimya Sanayi Ticaret A.Ş., Tümteks Tekstil Sanayi Ticaret A.Ş and balances from Boyasan Tekstil Sanayi ve Ticaret A.Ş., in accordance with the Article 6 Paragraph 9 of regulation for provisions taken into account classification of loans and receivables.

12. Explanation on liquidation policy for uncollectible loans and receivables;

Uncollectible loans and receivables, which are classified in accordance with the Provisioning Regulation, are collected through legal follow-up, voluntary payments and liquidation of collaterals.

13. Explanation on "Write-off" policies:

The Bank's general policy for write-offs of loans and receivables under follow-up is to write off such loans and receivables that are proven to be uncollectible in legal follow-up process.

### g. Information on held-to-maturity investments:

1. Characteristics and carrying values of held-to-maturity investments subject to repurchase agreements given as collateral / blocked:

Held-to-maturity investments given as collateral / blocked amounts to TL 1.581.166 (December 31, 2013 - TL 1.365.524). The amount of held-to-maturity investments subject to repurchase agreements amounting to TL 2.017.953 (December 31, 2013 - TL 1.968.378).



**Explanations and notes related to unconsolidated financial statements (continued)**

2. Information on government debt securities held-to-maturity:

|                       | Current Period   | Prior Period     |
|-----------------------|------------------|------------------|
| Government bond       | 5.019.049        | 6.453.908        |
| Treasury bill         | -                | -                |
| Other debt securities | -                | -                |
| <b>Total</b>          | <b>5.019.049</b> | <b>6.453.908</b> |

3. Information on investment securities held-to-maturity:

|   | Current Period   | Prior Period     |
|---|------------------|------------------|
| Debt securities                         | 5.141.589        | 6.584.551        |
| Quoted on stock exchange                | 5.141.589        | 6.584.551        |
| Not quoted                              | -                | -                |
| Impairment provision (-) <sup>(1)</sup> | (122.540)        | (130.643)        |
| <b>Total</b>                            | <b>5.019.049</b> | <b>6.453.908</b> |

- (1) Includes amortisation of the premiums paid during the purchase of the securities throughout the maturity of the securities and the impairment provisions, if any.

4. Movement of held-to-maturity investments within the period:

|  | Current Period   | Prior Period     |
|--|------------------|------------------|
| <b>Beginning balance</b>                                       | <b>6.453.908</b> | <b>5.686.448</b> |
| Foreign currency differences on monetary assets <sup>(1)</sup> | 218.361          | 613.541          |
| Purchases during the year                                      | 561.762          | 262.570          |
| Disposals through sales and redemptions                        | (2.223.085)      | (17.486)         |
| Impairment provision (-) <sup>(2)</sup>                        | 8.103            | (91.165)         |
| <b>Period end balance</b>                                      | <b>5.019.049</b> | <b>6.453.908</b> |

- (1) Also includes the changes in the interest income accruals.

- (2) Includes amortisation of the premiums paid during the purchase of the securities throughout the maturity of the securities and the impairment provisions, if any.

Explanations and notes related to unconsolidated financial statements (continued)

ğ. Information on investments in associates (net):

1. Information on unconsolidated investments in associates:

| No | Description                                    | Address (City/<br>Country) | Bank's share holding<br>percentage if<br>different voting<br>percentage (%) | Bank's risk group<br>share holding<br>percentage(%) |
|----|--|----------------------------|---|---|
| 1. | Banque de Commerce et de Placements S.A.       | Cenevre/İsviçre            | 30,67   | 30,67   |
| 2. | Kredi Kayıt Bürosu <sup>(1)</sup>              | İstanbul/Türkiye           | 18,18   | 18,18   |
| 3. | Bankalararası Kart Merkezi A.Ş. <sup>(1)</sup> | İstanbul/Türkiye           | 9,98  | 9,98  |

2. Main financial figures of the investments in associates in the order of the above table:

| No | Total assets | Shareholders'<br>equity | Total fixed<br>assets | Interest<br>income | Income from<br>marketable<br>securities<br>portfolio | Current<br>period<br>profit/loss | Prior period<br>profit/loss | Fair value |
|----|--------------|-------------------------|-----------------------|--------------------|--|----------------------------------|-----------------------------|------------|
| 1  | 6.267.421    | 875.236                 | 5.379                 | 114.242            | 19.169   | 50.601                           | 26.162                      | -          |
| 2  | 105.453      | 88.452                  | 52.574                | 3.178              | -  | 18.547                           | 28.149                      | -          |
| 3  | 52.777       | 30.264                  | 32.405                | 681                | -  | 7.882                            | 4.171                       | -          |

- (1) Financial statement information disclosed above shows September 30, 2014 results.

3. Movement of unconsolidated investments in associates:

|  | Current Period | Prior Period  |
|--|----------------|---------------|
| <b>Balance at the beginning of the period</b>                | <b>47.907</b>  | <b>47.907</b> |
| <b>Movements during the period</b>                           | -              | -             |
| Purchases  | -              | -             |
| Transfers  | -              | -             |
| Free shares obtained profit from current year's share        | -              | -             |
| Profit from current year's income                            | -              | -             |
| Sales  | -              | -             |
| Revaluation (decrease) / increase                            | -              | -             |
| Impairment provision   | -              | -             |
| <b>Balance at the end of the period</b>                      | <b>47.907</b>  | <b>47.907</b> |
| <b>Capital commitments</b>                                   | -              | -             |
| <b>Share holding percentage at the end of the period (%)</b> | -              | -             |

**Explanations and notes related to unconsolidated financial statements (continued)**

4. Information on sectors and the carrying amounts of unconsolidated financial investments in associates:

|                                    | Current Period | Prior Period  |
|------------------------------------|----------------|---------------|
| Banks                              | 43.404         | 43.404        |
| Insurance companies                | -              | -             |
| Factoring companies                | -              | -             |
| Leasing companies                  | -              | -             |
| Finance companies                  | -              | -             |
| Other financial investments        | -              | -             |
| <b>Total financial investments</b> | <b>43.404</b>  | <b>43.404</b> |

5. The Bank has no investments in associates quoted on a stock exchange.

**h. Information on shareholders' equity of the significant subsidiaries (net):**

There is no deficit of regulatory limits on capital structure of the subsidiaries which are included in the consolidated capital adequacy ratio calculation in accordance with the capital adequacy ratio limits.

1. Information on equity of the subsidiaries:

|                                       | Yapı Kredi<br>Yatırım<br>Menkul<br>Değerler A.Ş. | Yapı Kredi<br>Faktoring A.Ş. | Yapı Kredi<br>Finansal<br>Kiralama A.O. | Yapı Kredi<br>Portföy Yönetimi<br>A.Ş. | Yapı Kredi<br>Nederland N.V. |
|---------------------------------------|--|------------------------------|---|--|------------------------------|
| <b>Core Capital</b>                   |  |                              |   |  |                              |
| Paid-in capital                       | 98.918   | 60.714                       | 389.928                                 | 5.707                                  | 112.442                      |
| Inflation adjustment to share capital | -  | -                            | -                                       | -                                      | -                            |
| Share premium                         | -  | -                            | -                                       | -                                      | -                            |
| Marketable Securities Valuation       |  |                              |   |  |                              |
| Differences                           | 13.613   | -                            | -                                       | -                                      | (3.887)                      |
| Other capital reserves                | 93.423   | -                            | (217.104)                               | -                                      | -                            |
| Legal reserves                        | 70.137   | 8.034                        | 79.305                                  | 18.878                                 | -                            |
| Extraordinary reserves                | 193.207  | 10.458                       | 619.019                                 | -                                      | 373.243                      |
| Other reserves                        | (94)   | (10)                         | 40                                      | -                                      | 245.472                      |
| Profit/loss                           | (678)  | 153.865                      | 430.606                                 | 21.386                                 | 50.566                       |
| Current period net profit             | 69.268   | 46.971                       | 152.365                                 | 21.386                                 | 50.566                       |
| Prior period profit                   | (69.946)   | 106.894                      | 278.241                                 | -                                      | -                            |
| Leasehold improvements (-)            | -  | -                            | -                                       | -                                      | -                            |
| Intangible assets (-)                 | 2.277  | 74                           | 3.390                                   | 710                                    | 522                          |
| <b>Total core capital</b>             | <b>466.249</b>                                   | <b>232.987</b>               | <b>1.298.404</b>                        | <b>45.261</b>                          | <b>777.314</b>               |
| <b>Supplementary capital</b>          | <b>-</b>   | <b>10.127</b>                | <b>25.523</b>                           | <b>-</b>                               | <b>158</b>                   |
| <b>Capital</b>                        | <b>466.249</b>                                   | <b>243.114</b>               | <b>1.323.927</b>                        | <b>45.261</b>                          | <b>777.472</b>               |
| <b>Deductions from the capital</b>    | <b>-</b>   | <b>-</b>                     | <b>-</b>                                | <b>-</b>                               | <b>-</b>                     |
| <b>Total shareholders' equity</b>     | <b>466.249</b>                                   | <b>243.114</b>               | <b>1.323.927</b>                        | <b>45.261</b>                          | <b>777.472</b>               |

The above information is based on the consolidated financial statements of the Bank as of December 31, 2014.

There is no internal capital adequacy assessment process (ICAAP) for the subsidiaries.

## Explanations and notes related to unconsolidated financial statements (continued)

Paid-in capital is a capital which have been disclosed as Turkish Lira in the articles of incorporation and registered in trade register.

Inflation adjustment to share capital is the adjustment difference arising from inflation accounting.

Extraordinary Reserves are the reserves which represent the remaining net income of the previous periods after providing the legal reserves in accordance with the General Assembly of the Bank.

Legal reserves are the income reserves that are provided according to the first paragraph and the third subparagraph of the second paragraph of the article no 466 and no 467 of the Turkish Commercial Code No. 6762 allocated as capital reserves separated from annual profit according to the laws of foundation.

### 2. Information on subsidiaries:

| No | Description  | Address<br>(City/ Country) | Bank's share<br>holding<br>percentage if<br>different voting<br>percentage<br>(%) | Bank's risk<br>group<br>share holding<br>percentage (%) |
|----|--|----------------------------|---|---|
| 1  | Yapı Kredi Holding BV.                             | Amsterdam/Hollanda         | 100,00  | 100,00  |
| 2  | Yapı Kredi Yatırım Menkul Değerler A.Ş.            | İstanbul/Türkiye           | 99,98   | 100,00  |
| 3  | Yapı Kredi Faktoring A.Ş.                          | İstanbul/Türkiye           | 99,95   | 100,00  |
| 4  | Yapı Kredi Moscow                                  | Moskova/Rusya              |   |   |
| 5  | Yapı Kredi Finansal Kiralama A.O.                  | Federasyonu                | 99,84   | 100,00  |
| 6  | Yapı Kredi Portföy Yönetimi A.Ş.                   | İstanbul/Türkiye           | 99,99   | 99,99   |
| 7  | Yapı Kredi Nederland                               | İstanbul/Türkiye           | 12,65   | 99,99   |
| 8  | Yapı Kredi Azerbaycan                              | Amsterdam/Hollanda         | 67,24   | 100,00  |
| 9  | Enternasyonal Turizm Yatırım A.Ş.                  | Bakü/Azerbaycan            | 99,80   | 100,00  |
| 10 | Yapı Kredi Kültür Sanat Yayıncılık Tic.ve San.A.Ş. | İstanbul/Türkiye           | 99,96   | 99,99   |
|    |  |                            | 99,99   | 100,00  |

The Bank bought the shares of Yapı Kredi Finansal Kiralama A.O. with a nominal value of TL 4.476.164 (including for a share call price of full 5,02 per share) in accordance with the ongoing delisting process, and Bank's share has increased to 99,99% as a result of this process.

### 3. Main financial figures of the subsidiaries in order of the above table: <sup>(1)</sup>

| No | Total<br>assets | Shareholders'<br>equity | Total<br>fixed assets | Interest<br>income | Income<br>from<br>marketable<br>securities<br>portfolio | Current period<br>profit / loss | Prior<br>period<br>profit /loss | Market<br>value | Required<br>equity |
|----|-----------------|-------------------------|-----------------------|--------------------|---|---------------------------------|---------------------------------|-----------------|--------------------|
| 1  | 226.643         | 226.537                 | -                     | -                  | -   | 351                             | (211)                           | -               | -                  |
| 2  | 3.219.331       | 473.030                 | 10.827                | 120.215            | 3.638   | 69.268                          | 269.067                         | -               | -                  |
| 3  | 2.808.850       | 233.061                 | 596                   | 150.598            | -   | 46.971                          | 147.894                         | -               | -                  |
| 4  | 487.574         | 106.623                 | 6.894                 | 31.761             | 3.455   | 19.423                          | 20.311                          | -               | -                  |
| 5  | 5.521.625       | 1.301.794               | 4.076                 | 334.592            | -   | 152.365                         | 139.445                         | -               | -                  |
| 6  | 54.659          | 45.971                  | 1.645                 | 2.227              | 209   | 21.386                          | 23.408                          | -               | -                  |
| 7  | 4.750.973       | 777.836                 | 1.684                 | 207.803            | 11.120  | 50.566                          | 41.778                          | -               | -                  |
| 8  | 1.049.870       | 204.272                 | 59.179                | 94.366             | 744   | 21.004                          | 3.219                           | -               | -                  |
| 9  | 39.345          | 26.310                  | 3.799                 | 1.663              | 8   | 903                             | 932                             | -               | -                  |
| 10 | 21.267          | 16.151                  | 862                   | 5                  | -   | 2.436                           | 1.412                           | -               | -                  |

(1) Consolidated financial statements are used for the financial information above.

Financial statement information disclosed above shows December 31, 2014 results.

Explanations and notes related to unconsolidated financial statements (continued)

4. Movement schedule of subsidiaries:

|   | Current Period   | Prior Period       |
|---|------------------|--------------------|
| <b>Balance at the beginning of the period</b>               | <b>2.363.467</b> | <b>3.817.879</b>   |
| <b>Movements in period</b>                                  | <b>71.083</b>    | <b>(1.454.412)</b> |
| Purchases   | 124.138          | 71.129             |
| Free shares obtained profit from current years share        | -                | 15.107             |
| Dividends from current year income                          | -                | -                  |
| Sales   | -                | -                  |
| Liquidation <sup>(1)</sup>                                  | (39.558)         | -                  |
| Transfers   | -                | (1.410.080)        |
| Revaluation increase/decrease                               | (13.497)         | (130.568)          |
| Impairment provision  | -                | -                  |
| <b>Balance at the end of the period</b>                     | <b>2.434.550</b> | <b>2.363.467</b>   |
| <b>Capital commitments</b>                                  | -                | -                  |
| <b>Shareholding percentage at the end of the period (%)</b> | -                | -                  |

- (1) In the Extraordinary end of liquidation General Assembly of YKYO held on July 8, 2014, it was decided to conclude the liquidation process and to pay the remaining liquidation liabilities to the shareholders. In addition, it was decided to delist the official name, information and registry record of the YKYO from the trade registry records and other governmental agencies' records.

5. Sectoral information on financial subsidiaries and the related carrying amounts:

| Financial subsidiaries              | Current Period   | Prior Period     |
|-------------------------------------|------------------|------------------|
| Banks                               | 525.238          | 397.955          |
| Insurance companies                 | -                | -                |
| Factoring companies                 | 328.859          | 375.349          |
| Leasing companies                   | 908.760          | 917.855          |
| Finance companies                   | -                | -                |
| Other financial subsidiaries        | 671.693          | 672.308          |
| <b>Total financial subsidiaries</b> | <b>2.434.550</b> | <b>2.363.467</b> |

6. Subsidiaries quoted on stock exchange:

None (December 31, 2013 - None).

I. Information on joint ventures (net):

Joint ventures in unconsolidated financial statements are accounted and monitored at cost according to "Consolidated and Separate Financial Statements" ("TAS 27").

| Joint ventures  | Bank's share | Group's share | Current assets | Non-current assets | Long term debt | Income        | Expense         |
|---|--------------|---------------|----------------|--------------------|----------------|---------------|-----------------|
| Yapı Kredi - Koray Gayrimenkul Yatırım Ortaklığı A.Ş. | 30,45        | 30,45         | 68.332         | 116.537            | -              | 95.369        | (66.412)        |
| <b>Total</b>  |              |               | <b>68.332</b>  | <b>116.537</b>     | <b>-</b>       | <b>95.369</b> | <b>(66.412)</b> |

Explanations and notes related to unconsolidated financial statements (continued)

i. Information on lease receivables (net):

None (December 31, 2013 - None).

j. Information on hedging derivative financial assets:

|                                 | Current Period |          | Prior Period   |              |
|---------------------------------|----------------|----------|----------------|--------------|
|                                 | TL             | FC       | TL             | FC           |
| Fair value hedge <sup>(1)</sup> | 177.895        | -        | 307.375        | -            |
| Cash flow hedge <sup>(1)</sup>  | 78.251         | -        | 155.444        | 4.808        |
| Foreign net investment hedge    | -              | -        | -              | -            |
| <b>Total</b>                    | <b>256.146</b> | <b>-</b> | <b>462.819</b> | <b>4.808</b> |

(1) Explained in the note XIII of Section IV.

k. Information on tangible assets:

|  | Immovable      | Leased fixed assets | Vehicles     | Other tangible fixed assets | Total            |
|--|----------------|---------------------|--------------|-----------------------------|------------------|
| <b>Prior Period</b>                              |                |                     |              |                             |                  |
| Cost   | 1.953.627      | 394.188             | 2.965        | 864.324                     | 3.215.104        |
| Accumulated depreciation (-)                     | (1.376.566)    | (314.286)           | (1.550)      | (588.347)                   | (2.280.749)      |
| <b>Net book value</b>                            | <b>577.061</b> | <b>79.902</b>       | <b>1.415</b> | <b>275.977</b>              | <b>934.355</b>   |
| <b>Current Period</b>                            |                |                     |              |                             |                  |
| <b>Net book value at beginning of the period</b> | <b>577.061</b> | <b>79.902</b>       | <b>1.415</b> | <b>275.977</b>              | <b>934.355</b>   |
| Additions  | 29             | -                   | -            | 300.744                     | 300.773          |
| Disposals (-), net                               | (800)          | (49)                | -            | (28.055)                    | (28.904)         |
| Reversal of impairment, net                      | 925            | -                   | -            | -                           | 925              |
| Impairment (-)                                   | -              | -                   | -            | -                           | -                |
| Depreciation (-)                                 | (39.284)       | (30.916)            | (311)        | (85.645)                    | (156.156)        |
| <b>Net book value at end of the period</b>       | <b>537.931</b> | <b>48.937</b>       | <b>1.104</b> | <b>463.021</b>              | <b>1.050.993</b> |
| Cost at the end of the period                    | 1.950.003      | 357.759             | 2.769        | 925.153                     | 3.235.684        |
| Accumulated depreciation at the period end (-)   | (1.412.072)    | (308.822)           | (1.665)      | (462.132)                   | (2.184.691)      |
| <b>December 31, 2014</b>                         | <b>537.931</b> | <b>48.937</b>       | <b>1.104</b> | <b>463.021</b>              | <b>1.050.993</b> |

As of December 31, 2014, the Bank had total provision for impairment amounting to TL 326.748 (December 31, 2013 – TL 327.673) for the property and equipment.

l. Information on intangible assets:

|   | Current Period   | Prior Period     |
|---|------------------|------------------|
| <b>Balance at the beginning of the period</b> | <b>1.376.092</b> | <b>1.329.944</b> |
| Additions during the period                   | 155.147          | 122.097          |
| Unused and disposed items (-)                 | (217)            | (183)            |
| Impairment reversal                           | -                | -                |
| Amortization expenses (-)                     | (102.654)        | (75.766)         |
| <b>Balance at the end of the period</b>       | <b>1.428.368</b> | <b>1.376.092</b> |

m. Information on investment property:

None (December 31, 2013 - None).

Explanations and notes related to unconsolidated financial statements (continued)

n. Information on deferred tax asset:

|   | Current Period     |                  | Prior Period       |                  |
|---|--------------------|------------------|--------------------|------------------|
|   | Tax base           | Deferred tax     | Tax base           | Deferred tax     |
| Temporary differences   | 906.496            | 181.299          | 983.848            | 196.770          |
| Derivative financial liabilities                              | 1.259.126          | 251.826          | 1.242.819          | 248.564          |
| Securities portfolio valuation differences                    | 17.344             | 3.468            | 18.499             | 3.700            |
| Subsidiaries, investment in associates and share certificates | 122.117            | 24.423           | 122.117            | 24.423           |
| Other   | 477.213            | 95.443           | 348.236            | 69.647           |
| <b>Total deferred tax asset</b>                               | <b>2.782.296</b>   | <b>556.459</b>   | <b>2.715.519</b>   | <b>543.104</b>   |
| Derivative financial assets                                   | (1.476.035)        | (295.207)        | (2.209.279)        | (441.856)        |
| Valuation difference of securities portfolio                  | (587.640)          | (117.430)        | (205.653)          | (41.131)         |
| Property, equipment and intangibles, net                      | (247.224)          | (39.125)         | (224.219)          | (34.381)         |
| Subsidiaries valuation differences                            | -                  | -                | -                  | -                |
| Other   | (53.688)           | (10.738)         | (40.558)           | (8.111)          |
| <b>Total deferred tax liability</b>                           | <b>(2.364.587)</b> | <b>(462.500)</b> | <b>(2.679.709)</b> | <b>(525.479)</b> |
| <b>Deferred tax asset, net</b>                                | <b>417.709</b>     | <b>93.959</b>    | <b>35.810</b>      | <b>17.625</b>    |

Deferred tax income amounting to TL 155.856 was recognized in profit and loss statement, whereas deferred tax expense amounting to TL 79.522 was recognized directly in equity accounts for the period ended December 31, 2014.

o. Movement schedule of assets held for resale and related to discontinued operations:

|   | Current Period | Prior Period   |
|---|----------------|----------------|
| <b>Net book value at the beginning of the period</b>  | <b>151.396</b> | <b>132.195</b> |
| Additions   | 63.384         | 66.521         |
| Transfers <sup>(1)</sup>                              | -              | 1.410.080      |
| Disposals (-), net <sup>(1)</sup>                     | (59.736)       | (1.453.446)    |
| Impairment provision reversal                         | 979            | 934            |
| Impairment provision (-)                              | (566)          | (302)          |
| Depreciation (-)                                      | (4.958)        | (4.586)        |
| <b>Net book value at the end of the period</b>        | <b>150.499</b> | <b>151.396</b> |
| Cost at the end of the period                         | 164.041        | 163.378        |
| Accumulated depreciation at the end of the period (-) | (13.542)       | (11.982)       |
| <b>Net book value at the end of the period</b>        | <b>150.499</b> | <b>151.396</b> |

(1) As of July 12, 2013, the transfer of YKS's shares is completed.

As of December 31, 2014, the Bank booked impairment provision on assets held for resale with an amount of TL 7.998 (December 31, 2013 - TL 8.411).

ö. Information on other assets:

As of December 31, 2014, other assets do not exceed 10% of the total assets.

Explanations and notes related to unconsolidated financial statements (continued)

II. Explanations and notes related to liabilities

a. Information on deposits:

1. Information on maturity structure of deposits/collected funds:

1 (i). Current Period:

|                             | Demand            | Up to<br>1 month  | 1-3 months        | 3-6 months       | 6 months-<br>1 year | 1 year and<br>over | Total              |
|-----------------------------|-------------------|-------------------|-------------------|------------------|---------------------|--------------------|--------------------|
| Saving deposits             | 3.183.149         | 1.471.397         | 23.303.212        | 1.124.141        | 260.728             | 238.187            | 29.580.814         |
| Foreign currency deposits   | 6.344.230         | 5.558.209         | 21.712.356        | 3.526.343        | 1.256.693           | 593.191            | 38.991.022         |
| Residents in Turkey         | 6.212.285         | 5.512.089         | 20.735.576        | 1.200.171        | 599.421             | 565.060            | 34.824.602         |
| Residents abroad            | 131.945           | 46.120            | 976.780           | 2.326.172        | 657.272             | 28.131             | 4.166.420          |
| Public sector deposits      | 899.028           | -                 | 3.076             | 417              | 516                 | 1                  | 903.038            |
| Commercial deposits         | 4.445.719         | 5.666.644         | 13.970.380        | 2.808.340        | 501.598             | 123.732            | 27.516.413         |
| Other institutions deposits | 92.324            | 970.381           | 3.557.132         | 253.563          | 434.066             | 5.740              | 5.313.206          |
| Precious metals vault       | 499.354           | 1.472             | 91.739            | 29.870           | 49.681              | 168.249            | 840.365            |
| Bank deposits               | 506.736           | 975.828           | 463.012           | 3.606            | 19.966              | 6.333              | 1.975.481          |
| The CBRT                    | 2                 | -                 | -                 | -                | -                   | -                  | 2                  |
| Domestic banks              | 2.987             | 878.863           | 445.203           | -                | 12.715              | 6.333              | 1.346.101          |
| Foreign banks               | 221.999           | 96.965            | 17.809            | 3.606            | 7.251               | -                  | 347.630            |
| Participation banks         | 281.748           | -                 | -                 | -                | -                   | -                  | 281.748            |
| Other                       | -                 | -                 | -                 | -                | -                   | -                  | -                  |
| <b>Total</b>                | <b>15.970.540</b> | <b>14.643.931</b> | <b>63.100.907</b> | <b>7.746.280</b> | <b>2.523.248</b>    | <b>1.135.433</b>   | <b>105.120.339</b> |

1 (ii). Prior Period:

|                             | Demand            | Up to<br>1 month | 1-3 months        | 3-6 months       | 6 months-<br>1 year | 1 year and<br>over | Total             |
|-----------------------------|-------------------|------------------|-------------------|------------------|---------------------|--------------------|-------------------|
| Saving deposits             | 2.767.886         | 900.117          | 18.909.197        | 779.262          | 177.904             | 218.014            | 23.752.380        |
| Foreign currency deposits   | 4.705.202         | 4.035.687        | 26.375.113        | 3.011.008        | 842.762             | 1.544.563          | 40.514.335        |
| Residents in Turkey         | 4.541.996         | 3.998.272        | 26.024.540        | 1.532.506        | 688.242             | 841.504            | 37.627.060        |
| Residents abroad            | 163.206           | 37.415           | 350.573           | 1.478.502        | 154.520             | 703.059            | 2.887.275         |
| Public sector deposits      | 715.021           | 206.687          | 151               | 1.778            | 2.387.769           | 30                 | 3.311.436         |
| Commercial deposits         | 4.009.631         | 3.277.531        | 5.470.728         | 353.024          | 159.709             | 84.801             | 13.355.424        |
| Other institutions deposits | 75.070            | 198.765          | 1.132.227         | 255.756          | 851.554             | 3.759              | 2.517.131         |
| Precious metals vault       | 747.228           | 1.579            | 114.459           | 43.762           | 96.790              | 173.869            | 1.177.687         |
| Bank deposits               | 682.782           | 1.352            | 912.763           | 32.740           | 37.795              | 11.802             | 1.679.234         |
| The CBRT                    | -                 | -                | -                 | -                | -                   | -                  | -                 |
| Domestic banks              | 364.778           | -                | 848.726           | 32.740           | 37.795              | 11.802             | 1.295.841         |
| Foreign banks               | 151.542           | 1.352            | 64.037            | -                | -                   | -                  | 216.931           |
| Participation banks         | 166.462           | -                | -                 | -                | -                   | -                  | 166.462           |
| Other                       | -                 | -                | -                 | -                | -                   | -                  | -                 |
| <b>Total</b>                | <b>13.702.820</b> | <b>8.621.718</b> | <b>52.914.638</b> | <b>4.477.330</b> | <b>4.554.283</b>    | <b>2.036.838</b>   | <b>86.307.627</b> |

2. Information on saving deposits insurance:

2 (i). Information on saving deposits under the guarantee of the saving deposits insurance fund and exceeding the limit of deposit insurance fund:

| Saving deposits   | Under the guarantee of deposit<br>insurance |              | Exceeding limit of the deposit insurance |              |
|---|---|--------------|--|--------------|
|   | Current Period                              | Prior Period | Current Period                           | Prior Period |
| Saving deposits   | 14.292.214                                  | 12.632.644   | 15.288.190                               | 11.119.884   |
| Foreign currency savings deposit  | 3.886.738                                   | 3.392.658    | 11.760.497                               | 14.092.624   |
| Other deposits in the form of savings<br>deposits                           | 453.318                                     | 638.262      | 300.290                                  | 423.714      |
| Foreign branches' deposits under foreign<br>authorities' insurance          | -   | -            | -  | -            |
| Off-shore banking regions' deposits under<br>foreign authorities' insurance | -   | -            | -  | -            |



**Explanations and notes related to unconsolidated financial statements (continued)**

2 (ii). Saving deposits which are not under the guarantee of saving deposit insurance fund of real persons:

|   | Current Period | Prior Period |
|---|----------------|--------------|
| Foreign branches' deposits and other accounts   | 6.348          | 6.329        |
| Saving deposits and other accounts of controlling shareholders and deposits of their mother, father, spouse, children in care   | -              | -            |
| Saving deposits and other accounts of president and members of board of directors, CEO and vice presidents and deposits of their mother, father, spouse, children in care | 88.277         | 64.101       |
| Saving deposits and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish criminal law no:5237 dated 26.09.2004           | -              | -            |
| Saving deposits in deposit bank which is established in Turkey in order to engage in off-shore banking activities solely  | -              | -            |

**b. Information on trading derivative financial liabilities:**

|                      | Current Period |               | Prior Period   |               |
|----------------------|----------------|---------------|----------------|---------------|
|                      | TL             | FC            | TL             | FC            |
| Forward transactions | 58.914         | -             | 55.016         | -             |
| Swap transactions    | 608.374        | 73.681        | 565.484        | 64.603        |
| Futures transactions | -              | -             | -              | -             |
| Options              | 31.606         | 22.955        | 134.744        | 23.709        |
| Other                | -              | -             | -              | -             |
| <b>Total</b>         | <b>698.894</b> | <b>96.636</b> | <b>755.244</b> | <b>88.312</b> |

**c. Information on borrowings:**

1. Information on borrowings:

|   | Current Period |                   | Prior Period     |                   |
|---|----------------|-------------------|------------------|-------------------|
|   | TL             | FC                | TL               | FC                |
| The Central Bank of the Republic of Turkey borrowings | -              | -                 | -                | -                 |
| From domestic banks and institutions                  | 228.832        | 222.478           | 259.957          | 338.810           |
| From foreign banks, institutions and funds            | 633.725        | 17.036.538        | 827.534          | 15.001.607        |
| <b>Total</b>  | <b>862.557</b> | <b>17.259.016</b> | <b>1.087.491</b> | <b>15.340.417</b> |

2. Information on maturity structure of borrowings:

|                      | Current Period |                   | Prior Period     |                   |
|----------------------|----------------|-------------------|------------------|-------------------|
|                      | TL             | FC                | TL               | FC                |
| Short-term           | 244.283        | 9.841.968         | 665.168          | 8.816.013         |
| Medium and long-term | 618.274        | 7.417.048         | 422.323          | 6.524.404         |
| <b>Total</b>         | <b>862.557</b> | <b>17.259.016</b> | <b>1.087.491</b> | <b>15.340.417</b> |

## Explanations and notes related to unconsolidated financial statements (continued)

### 3. Information on securitization borrowings:

|  | Current Period |                  | Prior Period |                  |
|--|----------------|------------------|--------------|------------------|
|  | TL             | FC               | TL           | FC               |
| From foreign banks                       | -              | 1.890.502        | -            | 2.576.083        |
| From foreign institutions <sup>(1)</sup> | -              | 1.163.996        | -            | -                |
| From foreign funds                       | -              | -                | -            | -                |
| <b>Total</b>                             | <b>-</b>       | <b>3.054.498</b> | <b>-</b>     | <b>2.576.083</b> |

- (1) The Bank classified some of its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition in accordance with IAS 39 paragraph 9. As of December 31, 2014, the total amount of financial liabilities classified as fair value through profit/loss is TL 1.163.996 and the fair value difference is TL 5.673 recognised in the income statement as income.

### ç. Information on marketable securities issued:

|                                  | Current Period   |                  | Prior Period     |                  |
|----------------------------------|------------------|------------------|------------------|------------------|
|                                  | TL               | FC               | TL               | FC               |
| Bills                            | 1.638.373        | 1.712.209        | 1.165.920        | 827.050          |
| Bonds                            | 1.181.861        | 5.187.956        | 493.857          | 3.359.933        |
| <i>Collateralized securities</i> | <i>462.642</i>   | <i>-</i>         | <i>462.691</i>   | <i>-</i>         |
| <b>Total</b>                     | <b>2.820.234</b> | <b>6.900.165</b> | <b>1.659.777</b> | <b>4.186.983</b> |

### d. Information on other liabilities:

As of December 31, 2014, other liabilities do not exceed 10% of the total balance sheet commitments.

### e. Information on lease payables:

#### 1. Information on financial leasing agreements:

|                   | Current Period |          | Prior Period |            |
|-------------------|----------------|----------|--------------|------------|
|                   | Gross          | Net      | Gross        | Net        |
| Less than 1 year  | -              | -        | -            | -          |
| Between 1-4 years | -              | -        | 792          | 765        |
| More than 4 years | -              | -        | 4            | -          |
| <b>Total</b>      | <b>-</b>       | <b>-</b> | <b>796</b>   | <b>765</b> |

#### 2. Information on operational leasing agreements:

The Bank enters into operational leasing agreements annually for some of its branches and ATMs. The leases are prepaid and accounted as prepaid expenses under "Other Assets".

Explanations and notes related to unconsolidated financial statements (continued)

f. Information on hedging derivative financial liabilities:

|                                 | Current Period |                | Prior Period  |                |
|---------------------------------|----------------|----------------|---------------|----------------|
|                                 | TL             | FC             | TL            | FC             |
| Fair value hedge <sup>(1)</sup> | -              | -              | -             | -              |
| Cash flow hedge <sup>(1)</sup>  | 228.442        | 211.349        | 30.573        | 355.822        |
| Foreign net investment hedge    | -              | -              | -             | -              |
| <b>Total</b>                    | <b>228.442</b> | <b>211.349</b> | <b>30.573</b> | <b>355.822</b> |

(1) Explained in Note XIII of Section IV.

g. Information on provisions:

1. Information on general provisions:

|   | Current Period   | Prior Period     |
|---|------------------|------------------|
| Provisions for first group loans and receivables                            | 1.451.714        | 1.163.206        |
| <i>of which, Provision for Loans and Receivables with Extended Maturity</i> | 61.798           | 60.329           |
| Provisions for second group loans and receivables                           | 188.332          | 102.193          |
| <i>of which, Provision for Loans and Receivables with Extended Maturity</i> | 55.839           | 26.777           |
| Provisions for non cash loans   | 84.527           | 65.611           |
| Others  | 158.694          | 139.661          |
| <b>Total</b>  | <b>1.883.267</b> | <b>1.470.671</b> |

2. Information on reserve for employee rights:

In accordance with Turkish Labour Law, the reserve for employment termination benefits is calculated as the present value of the probable future obligation in case of the retirement of employees. TAS 19 necessitates actuarial valuation methods to calculate the liabilities of enterprises.

The following actuarial assumptions were used in the calculation of total liabilities:

|  | Current Period | Prior Period |
|--|----------------|--------------|
| Discount rate (%)                                | 3,50           | 4,78         |
| Possibility of being eligible for retirement (%) | 94,11          | 94,59        |

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the annual ceiling is revised semi-annually, the ceiling of full TL 3.541,37 effective from January 1, 2015 (January 1, 2014: full TL 3.438,22) has been taken into consideration in calculating the reserve for employment termination benefits.

**Explanations and notes related to unconsolidated financial statements (continued)**

Movement of employment termination benefits liability in the balance sheet:

|   | Current Period | Prior Period   |
|---|----------------|----------------|
| <b>Prior period ending balance</b>      | <b>108.664</b> | <b>119.086</b> |
| Changes during the period               | 23.594         | 42.299         |
| Recognized in equity                    | 17.405         | (17.512)       |
| Paid during the period                  | (26.463)       | (35.209)       |
| <b>Balance at the end of the period</b> | <b>123.200</b> | <b>108.664</b> |

In addition, the Bank has accounted for unused vacation rights provision amounting to TL 128.395 as of December 31, 2014 (December 31, 2013 - TL 108.053).

3. Information on provisions related with the foreign currency difference of foreign currency indexed loans:

As of December 31, 2014, the provision related to the foreign currency difference of foreign currency indexed loans amounts to TL 25.125 (December 31, 2013 - TL 691). Provisions related to the foreign currency difference of foreign currency indexed loans are netted from the loan amount in the financial statements.

4. Other provisions:

(i) Information on other provisions:

|  | Current Period | Prior Period     |
|--|----------------|------------------|
| Pension fund provision   | 654.901        | 767.131          |
| Provisions on unindemnified non cash loans                                     | 82.424         | 73.790           |
| Provisions on credit cards and promotion campaigns related to banking services | 34.417         | 28.741           |
| Provision on export commitment tax and funds liability                         | 44.489         | 41.007           |
| Other  | 133.624        | 184.508          |
| <b>Total</b>   | <b>949.855</b> | <b>1.095.177</b> |

(ii) General reserves for possible losses:

|                                      | Current Period | Prior Period   |
|--------------------------------------|----------------|----------------|
| General reserves for possible losses | 160.839        | 190.112        |
| <b>Total</b>                         | <b>160.839</b> | <b>190.112</b> |

## Explanations and notes related to consolidated financial statements (continued)

### 5. Pension fund provision:

The Bank provided provision amounting to TL 654.901 (December 31, 2013 – TL 767.131) for the technical deficit based on the report prepared by an independent actuary company in accordance with the technical interest rate of 9,8% determined by the New Law and CSO 1980 mortality table.

|  | Current Period | Prior Period |
|--|----------------|--------------|
| Income statement (Other operations charge/benefit) | 112.230        | 60.046       |

The amounts recognized in the balance sheet are determined as follows:

|  | Current Period | Prior Period   |
|--|----------------|----------------|
| Present value of funded obligations                            | 1.621.901      | 1.635.549      |
| - Pension benefits transferable to SSI                         | 1.658.083      | 1.543.740      |
| - Post employment medical benefits transferable to SSI         | (36.182)       | 91.809         |
| Fair value of plan assets                                      | (967.000)      | (868.418)      |
| <b>Provision for the actuarial deficit of the pension fund</b> | <b>654.901</b> | <b>767.131</b> |

The principal actuarial assumptions used were as follows:

|  | Current Period | Prior Period |
|--|----------------|--------------|
| Discount rate  |                |              |
| - Pension benefits transferable to SSI                 | 9,80%          | 9,80%        |
| - Post employment medical benefits transferable to SSI | 9,80%          | 9,80%        |

**Mortality rate:** Average life expectation is defined according to the mortality table based on statistical data, as 13 years for men and 18 years for women who retire at the age of 66 and 64, respectively.

Plan assets are comprised as follows:

|                                     | Current Period |            | Prior Period   |            |
|-------------------------------------|----------------|------------|----------------|------------|
|                                     | Amount         | %          | Amount         | %          |
| Government bonds and treasury bills | 190.168        | 20         | 178.678        | 21         |
| Premises and equipment              | 138.997        | 14         | 304.423        | 35         |
| Bank placements                     | 570.814        | 59         | 339.980        | 39         |
| Short term receivables              | 52.549         | 6          | 30.219         | 3          |
| Other                               | 14.472         | 1          | 15.118         | 2          |
| <b>Total</b>                        | <b>967.000</b> | <b>100</b> | <b>868.418</b> | <b>100</b> |

Explanations and notes related to unconsolidated financial statements (continued)

ğ. Information on taxes payable:

(i) Information on taxes payable:

|  | Current Period | Prior Period   |
|--|----------------|----------------|
| Corporate Tax Payable                      | 131.719        | -              |
| Taxation of Marketable Securities          | 94.719         | 71.659         |
| Property Tax                               | 2.411          | 2.000          |
| Banking Insurance Transaction Tax ("BITT") | 78.269         | 61.204         |
| Foreign Exchange Transaction Tax           | -              | -              |
| Value Added Tax Payable                    | 9.783          | 6.690          |
| Other                                      | 28.754         | 24.374         |
| <b>Total</b>                               | <b>345.655</b> | <b>165.927</b> |

(ii) Information on premium payables:

|  | Current Period | Prior Period  |
|--|----------------|---------------|
| Social security premiums – employee            | -              | -             |
| Social security premiums – employer            | -              | -             |
| Bank pension fund premiums – employee          | 11.981         | 9.751         |
| Bank pension fund premiums – employer          | 12.397         | 10.146        |
| Pension fund deposit and provisions – employee | -              | -             |
| Pension fund deposit and provisions – employer | -              | -             |
| Unemployment insurance – employee              | 855            | 695           |
| Unemployment insurance – employer              | 1.711          | 1.392         |
| Other  | -              | -             |
| <b>Total</b>                                   | <b>26.944</b>  | <b>21.984</b> |

(iii) Information on deferred tax liability:

None (December 31, 2013 - None).

h. Information on subordinated loans:

|                                  | Current Period |                  | Prior Period |                  |
|----------------------------------|----------------|------------------|--------------|------------------|
|                                  | TL             | FC               | TL           | FC               |
| From domestic banks              | -              | -                | -            | -                |
| From other domestic institutions | -              | -                | -            | -                |
| From foreign banks               | -              | 6.770.549        | -            | 6.480.981        |
| From other foreign institutions  | -              | -                | -            | -                |
| <b>Total</b>                     | <b>-</b>       | <b>6.770.549</b> | <b>-</b>     | <b>6.480.981</b> |

(1) Subordinated loans are explained in detail in Note "Details on Subordinated Liabilities" of section four.

## Explanations and notes related to unconsolidated financial statements (continued)

### I. Information on shareholders' equity:

#### 1. Presentation of paid-in capital:

|                 | Current Period | Prior Period |
|-----------------|----------------|--------------|
| Common stock    | 4.347.051      | 4.347.051    |
| Preferred stock | -              | -            |

#### 2. Paid-in capital amount, explanation as to whether the registered share capital system is applied and if so, amount of registered share capital ceiling:

The Bank's paid-in-capital is amounting to TL 4.347.051 and in accordance with the decision taken in the Ordinary General Assembly at April 7, 2008, the Bank has switched to the registered capital system and the registered share capital ceiling is TL 10.000.000.

#### 3. Information on the share capital increases during the period and the sources:

None (December 31, 2013 - None).

#### 4. Information on transfers from capital reserves to capital during the current period: None.

#### 5. Information on capital commitments, until the end of the fiscal year and the subsequent interim period: None.

#### 6. Information on prior period's indicators on the Bank's income, profitability and liquidity, and possible effects of these future assumptions on the Bank's equity due to uncertainties of these indicators:

The interest, liquidity, and foreign exchange risk related to on-balance sheet and off-balance sheet assets and liabilities are managed by the Bank within several risk and legal limits.

#### 7. Privileges on the corporate stock: None.

#### 8. Information on value increase fund of marketable securities:

|   | Current Period |                | Prior Period     |                |
|---|----------------|----------------|------------------|----------------|
|   | TL             | FC             | TL               | FC             |
| <b>From investments in associates, subsidiaries, and joint ventures</b> | <b>359.715</b> | <b>248.414</b> | <b>472.536</b>   | <b>112.091</b> |
| Valuation difference  | 359.715        | 248.414        | 472.536          | 112.091        |
| Foreign currency difference   | -              | -              | -                | -              |
| <b>From fixed assets held for sale</b>                                  | <b>-</b>       | <b>-</b>       | <b>-</b>         | <b>-</b>       |
| Valuation difference  | -              | -              | -                | -              |
| Foreign currency difference   | -              | -              | -                | -              |
| <b>Available for sale securities</b>                                    | <b>180.396</b> | <b>234.848</b> | <b>(254.461)</b> | <b>155.800</b> |
| Valuation differences <sup>(1)</sup>                                    | 180.396        | 234.848        | (254.461)        | 155.800        |
| Foreign currency differences  | -              | -              | -                | -              |
| <b>Total</b>  | <b>540.111</b> | <b>483.262</b> | <b>218.075</b>   | <b>267.891</b> |

(1) Includes tax effect related to foreign currency valuation differences.

Explanations and notes related to consolidated financial statements (continued)

III. Explanations and notes related to off-balance sheet accounts

a. Information on off balance sheet commitments:

1. The amount and type of irrevocable commitments:

|                                   | Current Period    | Prior Period      |
|-----------------------------------|-------------------|-------------------|
| Commitments on credit card limits | 25.612.776        | 21.610.762        |
| Loan granting commitments         | 8.125.659         | 6.394.154         |
| Commitments for cheques           | 5.981.382         | 5.385.711         |
| Other irrevocable commitments     | 6.703.313         | 11.657.414        |
| <b>Total</b>                      | <b>46.423.130</b> | <b>45.048.041</b> |

2. Type and amount of probable losses and obligations arising from off-balance sheet items:

Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments". The Bank set aside general provision for its non-cash loans amounting to TL 84.527 (December 31, 2013 - TL 65.611) and specific provision amounting to TL 381.510 (December 31, 2013 - TL 334.113) for non-cash loans which are not indemnified yet amounting to TL 82.424 (December 31, 2013 - TL73.790).

2(i). Non-cash loans including guarantees, bank acceptance loans, collaterals that are accepted as financial guarantees and other letter of credits:

|                                  | Current Period    | Prior Period      |
|----------------------------------|-------------------|-------------------|
| Bank acceptance loans            | 126.982           | 118.686           |
| Letter of credits                | 7.592.268         | 6.459.350         |
| Other guarantees and collaterals | 2.774.812         | 3.611.450         |
| <b>Total</b>                     | <b>10.494.062</b> | <b>10.189.486</b> |

2(ii). Guarantees, surety ships and other similar transactions:

|                                       | Current Period    | Prior Period      |
|---------------------------------------|-------------------|-------------------|
| Temporary letter of guarantees        | 1.825.976         | 1.275.206         |
| Definite letter of guarantees         | 27.400.824        | 18.748.924        |
| Advance letter of guarantees          | 4.310.727         | 4.442.137         |
| Letter of guarantees given to customs | 2.067.368         | 1.367.093         |
| Other letter of guarantees            | 2.176.908         | 1.569.589         |
| <b>Total</b>                          | <b>37.781.803</b> | <b>27.402.949</b> |

3(i). Total amount of non-cash loans:

|  | Current Period    | Prior Period      |
|--|-------------------|-------------------|
| Non-cash loans given against cash loans              | 1.915.986         | 1.320.733         |
| With original maturity of 1 year or less than 1 year | 322.011           | 111.652           |
| With original maturity of more than 1 year           | 1.593.975         | 1.209.081         |
| Other non-cash loans                                 | 46.359.879        | 36.271.702        |
| <b>Total</b>   | <b>48.275.865</b> | <b>37.592.435</b> |



## Explanations and notes related to unconsolidated financial statements (continued)

### 3(ii). Information on sectoral concentration of non-cash loans:

|                                      | Current Period    |               |                   |               | Prior Period      |               |                   |               |
|--------------------------------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|
|                                      | TL                | (%)           | FC                | (%)           | TL                | (%)           | FC                | (%)           |
| <b>Agricultural</b>                  | <b>196.602</b>    | <b>1,23</b>   | <b>328.672</b>    | <b>1,02</b>   | <b>149.219</b>    | <b>1,15</b>   | <b>286.469</b>    | <b>1,16</b>   |
| Farming and raising livestock        | 160.024           | 1,00          | 286.518           | 0,89          | 120.504           | 0,93          | 250.704           | 1,02          |
| Forestry                             | 30.413            | 0,19          | 19.070            | 0,06          | 23.781            | 0,18          | 15.860            | 0,06          |
| Fishing                              | 6.165             | 0,04          | 23.084            | 0,07          | 4.934             | 0,04          | 19.905            | 0,08          |
| <b>Manufacturing</b>                 | <b>6.906.723</b>  | <b>43,21</b>  | <b>15.578.737</b> | <b>48,24</b>  | <b>5.435.621</b>  | <b>42,14</b>  | <b>10.933.667</b> | <b>44,27</b>  |
| Mining                               | 861.448           | 5,39          | 1.327.926         | 4,11          | 784.397           | 6,08          | 820.152           | 3,32          |
| Production                           | 5.354.725         | 33,50         | 12.437.242        | 38,51         | 4.052.815         | 31,42         | 8.603.830         | 34,84         |
| Electric, gas and water              | 690.550           | 4,32          | 1.813.569         | 5,62          | 598.409           | 4,64          | 1.509.685         | 6,11          |
| <b>Construction</b>                  | <b>4.071.437</b>  | <b>25,47</b>  | <b>6.708.839</b>  | <b>20,78</b>  | <b>3.395.001</b>  | <b>26,32</b>  | <b>6.323.447</b>  | <b>25,61</b>  |
| <b>Services</b>                      | <b>2.937.242</b>  | <b>18,38</b>  | <b>6.590.758</b>  | <b>20,40</b>  | <b>2.791.833</b>  | <b>21,64</b>  | <b>4.826.320</b>  | <b>19,54</b>  |
| Wholesale and retail trade           | 1.381.946         | 8,65          | 2.433.188         | 7,53          | 1.171.783         | 9,08          | 2.159.162         | 8,74          |
| Hotel, food and beverage services    | 118.296           | 0,74          | 303.617           | 0,94          | 120.130           | 0,93          | 124.214           | 0,50          |
| Transportation and telecommunication | 363.853           | 2,28          | 1.570.946         | 4,86          | 332.783           | 2,58          | 568.268           | 2,30          |
| Financial institutions               | 340.457           | 2,13          | 1.306.759         | 4,05          | 722.895           | 5,60          | 1.020.411         | 4,13          |
| Real estate and leasing services     | 248.093           | 1,55          | 257.757           | 0,80          | 144.743           | 1,12          | 375.658           | 1,52          |
| Self-employment services             | -                 | -             | -                 | -             | -                 | -             | -                 | -             |
| Education services                   | 18.842            | 0,12          | 3.697             | 0,01          | 18.745            | 0,15          | 4.124             | 0,02          |
| Health and social services           | 465.755           | 2,91          | 714.794           | 2,21          | 280.754           | 2,18          | 574.483           | 2,33          |
| <b>Other</b>                         | <b>1.871.219</b>  | <b>11,71</b>  | <b>3.085.636</b>  | <b>9,56</b>   | <b>1.127.284</b>  | <b>8,75</b>   | <b>2.323.574</b>  | <b>9,42</b>   |
| <b>Total</b>                         | <b>15.983.223</b> | <b>100,00</b> | <b>32.292.642</b> | <b>100,00</b> | <b>12.898.958</b> | <b>100,00</b> | <b>24.693.477</b> | <b>100,00</b> |

### 3(iii). Information on non-cash loans classified in Group I. and Group II:

| Current Period                      | Group I           |                   | Group II                |               |
|-------------------------------------|-------------------|-------------------|-------------------------|---------------|
|                                     | TL                | FC                | TL                      | FC            |
| <b>Non-cash loans</b>               |                   |                   |                         |               |
| Letters of guarantee                | 15.593.060        | 21.794.547        | 320.358                 | 73.838        |
| Bank acceptances                    | -                 | 124.663           | -                       | 2.319         |
| Letters of credit                   | 3                 | 7.589.893         | -                       | 2.372         |
| Endorsements                        | -                 | -                 | -                       | -             |
| Underwriting commitments            | -                 | -                 | -                       | -             |
| Factoring guarantees                | -                 | -                 | -                       | -             |
| Other commitments and contingencies | 69.802            | 2.698.440         | -                       | 6.570         |
| <b>Total</b>                        | <b>15.662.865</b> | <b>32.207.543</b> | <b>320.358</b>          | <b>85.099</b> |
|                                     |                   |                   |                         |               |
| Prior Period                        | Group I           |                   | Group II <sup>(1)</sup> |               |
|                                     | TL                | FC                | TL                      | FC            |
| <b>Non-cash loans</b>               |                   |                   |                         |               |
| Letters of guarantee                | 12.663.136        | 14.532.069        | 155.264                 | 52.480        |
| Bank acceptances                    | -                 | 118.517           | -                       | 169           |
| Letters of credit                   | 1.208             | 6.458.142         | -                       | -             |
| Endorsements                        | -                 | -                 | -                       | -             |
| Underwriting commitments            | -                 | -                 | -                       | -             |
| Factoring guarantees                | -                 | -                 | -                       | -             |
| Other commitments and contingencies | 79.350            | 3.532.100         | -                       | -             |
| <b>Total</b>                        | <b>12.743.694</b> | <b>24.640.828</b> | <b>155.264</b>          | <b>52.649</b> |

**Explanations and notes related to unconsolidated financial statements (continued)**

3(iv). Maturity distribution of non cash loans:

| <b>Current Period <sup>(1)</sup></b> | <b>Indefinite</b> | <b>Up to<br/>1 year</b> | <b>1-5<br/>years</b> | <b>Above<br/>5 years</b> | <b>Total</b>      |
|--------------------------------------|-------------------|-------------------------|----------------------|--------------------------|-------------------|
| Letter of credit                     | 4.991.798         | 2.093.922               | 506.243              | 305                      | 7.592.268         |
| Letter of guarantee                  | 32.914.935        | 145.320                 | 4.066.518            | 655.030                  | 37.781.803        |
| Bank acceptances                     | 126.639           | 343                     | -                    | -                        | 126.982           |
| Other                                | 702.860           | 120.775                 | 1.366.233            | 584.944                  | 2.774.812         |
| <b>Total</b>                         | <b>38.736.232</b> | <b>2.360.360</b>        | <b>5.938.994</b>     | <b>1.240.279</b>         | <b>48.275.865</b> |

| <b>Prior Period <sup>(1)</sup></b> | <b>Indefinite</b> | <b>Up to<br/>1 year</b> | <b>1-5<br/>years</b> | <b>Above<br/>5 years</b> | <b>Total</b>      |
|------------------------------------|-------------------|-------------------------|----------------------|--------------------------|-------------------|
| Letter of credit                   | 4.097.109         | 2.056.800               | 305.441              | -                        | 6.459.350         |
| Letter of guarantee                | 14.954.003        | 3.527.576               | 7.989.503            | 931.867                  | 27.402.949        |
| Bank acceptances                   | 118.686           | -                       | -                    | -                        | 118.686           |
| Other                              | 328.556           | 1.731.701               | 1.156.224            | 394.969                  | 3.611.450         |
| <b>Total</b>                       | <b>19.498.354</b> | <b>7.316.077</b>        | <b>9.451.168</b>     | <b>1.326.836</b>         | <b>37.592.435</b> |

(1) The distribution is based on the original maturities.

**b. (i) Information on derivative financial instruments:**

|  | <b>Current Period</b> | <b>Prior Period</b> |
|--|-----------------------|---------------------|
| Types of trading transactions                              |                       |                     |
| Foreign currency related derivative transactions (I)       | 90.575.273            | 87.681.532          |
| FC trading forward transactions                            | 6.462.898             | 9.471.525           |
| Trading swap transactions                                  | 74.647.930            | 65.651.969          |
| Futures transactions                                       | -                     | -                   |
| Trading option transactions                                | 9.464.445             | 12.558.038          |
| Interest related derivative transactions (II)              | 23.052.540            | 15.172.422          |
| Forward interest rate agreements                           | -                     | -                   |
| Interest rate swaps  | 15.959.242            | 10.311.770          |
| Interest rate options                                      | 7.093.298             | 4.860.652           |
| Interest rate futures                                      | -                     | -                   |
| Other trading derivative transactions (III)                | 9.343.196             | 2.468.788           |
| <b>A. Total trading derivative transactions (I+II+III)</b> | <b>122.971.009</b>    | <b>105.322.742</b>  |
| Types of hedging derivative transactions                   |                       |                     |
| Transactions for fair value hedge                          | 1.129.469             | 2.610.975           |
| Cash flow hedges   | 40.767.075            | 35.017.718          |
| Transactions for foreign net investment hedge              | -                     | -                   |
| <b>B. Total hedging related derivatives</b>                | <b>41.896.544</b>     | <b>37.628.693</b>   |
| <b>Total derivative transactions (A+B)</b>                 | <b>164.867.553</b>    | <b>142.951.435</b>  |

## **Explanations and notes related to unconsolidated financial statements (continued)**

### **c. Information on credit derivatives and risk exposures:**

Derivative portfolio includes credit default swaps for TL 1.217.430 (31 December 2013 – TL 1.210.160) for the period ended 31 December 2014. Credit default swaps linked to credit link notes are for the purposes protection seller and included in this figure.

### **ç. Information on contingent liabilities and assets:**

The Bank has recorded a provision of TL 61.683 (December 31, 2013 - TL 50.927) for litigation and has accounted for it in the accompanying financial statements under the "Other Provisions" account. Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

### **d. Information on services in the name and account of others:**

The Bank's activities such as intermediation and custody to serve the investment needs of customers are followed up under off balance sheet accounts.

Explanations and notes related to unconsolidated financial statements (continued)

IV. Explanations and notes related to income statement:

a. Information on interest income:

1. Information on interest income on loans:

|  | Current Period   |                  | Prior Period     |                  |
|--|------------------|------------------|------------------|------------------|
|  | TL               | FC               | TL               | FC               |
| Short-term loans <sup>(1)</sup>                          | 4.033.999        | 154.637          | 3.250.477        | 142.719          |
| Medium/long-term loans <sup>(1)</sup>                    | 3.787.374        | 1.540.013        | 2.901.328        | 1.155.801        |
| Interest on loans under follow-up                        | 100.029          | 533              | 104.305          | 2.408            |
| Premiums received from resource utilization support fund | -                | -                | -                | -                |
| <b>Total</b>   | <b>7.921.402</b> | <b>1.695.183</b> | <b>6.256.110</b> | <b>1.300.928</b> |

(1) Includes fees and commissions received for cash loans.

2. Information on interest income on banks:

|                                  | Current Period |              | Prior Period  |              |
|----------------------------------|----------------|--------------|---------------|--------------|
|                                  | TL             | FC           | TL            | FC           |
| From the CBRT                    | -              | -            | -             | -            |
| From domestic banks              | 56.706         | 309          | 24.144        | 651          |
| From foreign banks               | 5.053          | 7.169        | 3.479         | 6.813        |
| Headquarters and branches abroad | -              | -            | -             | -            |
| <b>Total</b>                     | <b>61.759</b>  | <b>7.478</b> | <b>27.623</b> | <b>7.464</b> |

3. Information on interest income on marketable securities:

|  | Current Period   |                | Prior Period   |                |
|--|------------------|----------------|----------------|----------------|
|  | TL               | FC             | TL             | FC             |
| From trading financial assets                              | 2.143            | 1.236          | 6.137          | 2.695          |
| From financial assets at fair value through profit or loss | -                | -              | -              | -              |
| From available-for-sale financial assets                   | 1.215.116        | 199.233        | 726.964        | 365.871        |
| From held-to-maturity investments                          | 235.405          | 188.865        | 263.875        | 153.618        |
| <b>Total</b>   | <b>1.452.664</b> | <b>389.334</b> | <b>996.976</b> | <b>522.184</b> |

4. Information on interest income received from associates and subsidiaries:

|  | Current Period | Prior Period |
|--|----------------|--------------|
| Interest received from associates and subsidiaries | 24.847         | 13.304       |

# Explanations and notes related to unconsolidated financial statements (continued)

## b. Information on interest expense:

### 1. Information on interest expense on borrowings:

|                                  | Current Period |                | Prior Period  |                |
|----------------------------------|----------------|----------------|---------------|----------------|
|                                  | TL             | FC             | TL            | FC             |
| Banks                            | 79.505         | 636.400        | 66.748        | 634.323        |
| The CBRT                         | -              | -              | -             | -              |
| Domestic banks                   | 14.913         | 7.098          | 13.162        | 9.342          |
| Foreign banks                    | 64.592         | 629.302        | 53.586        | 624.981        |
| Headquarters and branches abroad | -              | -              | -             | -              |
| Other institutions               | -              | 8.077          | -             | 364            |
| <b>Total <sup>(1)</sup></b>      | <b>79.505</b>  | <b>644.477</b> | <b>66.748</b> | <b>634.687</b> |

(1) Includes fees and commissions related to borrowings.

### 2. Information on interest expense to associates and subsidiaries:

|  | Current Period | Prior Period |
|--|----------------|--------------|
| Interest paid to associates and subsidiaries | 91.095         | 58.058       |

### 3. Information on interest expense to marketable securities issued:

|  | Current Period |                | Prior Period   |                |
|--|----------------|----------------|----------------|----------------|
|  | TL             | FC             | TL             | FC             |
| Interest expense to marketable securities issued | 230.503        | 228.292        | 121.402        | 115.031        |
| <b>Total</b>                                     | <b>230.503</b> | <b>228.292</b> | <b>121.402</b> | <b>115.031</b> |

### 4. Maturity structure of the interest expense on deposits:

| Account name                      | Demand deposit | Time deposit  |                |                |              |                  |                      | Total     | Prior Period |
|-----------------------------------|----------------|---------------|----------------|----------------|--------------|------------------|----------------------|-----------|--------------|
|                                   |                | Up to 1 month | Up to 3 months | Up to 6 months | Up to 1 year | More than 1 year | Accumulating deposit |           |              |
| TL                                |                |               |                |                |              |                  |                      |           |              |
| Bank deposits                     | 294            | 9.676         | 398            | 135            | 2.691        | -                | -                    | 13.194    | 13.685       |
| Saving deposits                   | 1              | 75.967        | 1.918.498      | 85.015         | 38.880       | 16.975           | -                    | 2.135.336 | 1.578.956    |
| Public sector deposits            | -              | 32            | 2.895          | 51             | 45           | -                | -                    | 3.023     | 795          |
| Commercial deposits               | 44             | 244.138       | 846.899        | 137.521        | 48.221       | 8.511            | -                    | 1.285.334 | 861.262      |
| Other deposits                    | -              | 10.262        | 283.170        | 37.040         | 114.743      | 512              | -                    | 445.727   | 351.795      |
| Deposits with 7 days notification | -              | -             | -              | -              | -            | -                | -                    | -         | -            |
| Total                             | 339            | 340.075       | 3.051.860      | 259.762        | 204.580      | 25.998           | -                    | 3.882.614 | 2.806.493    |
| FC                                |                |               |                |                |              |                  |                      |           |              |
| Foreign currency deposits         | 142            | 166.789       | 574.194        | 41.889         | 20.034       | 22.902           | -                    | 825.950   | 691.006      |
| Bank deposits                     | 87             | 1.737         | 840            | 10             | 59           | -                | -                    | 2.733     | 1.536        |
| Deposits with 7 days notification | -              | -             | -              | -              | -            | -                | -                    | -         | -            |
| Precious metal vault              | -              | 649           | 1.451          | 137            | 231          | 33               | -                    | 2.501     | 2.663        |
| Total                             | 229            | 169.175       | 576.485        | 42.036         | 20.324       | 22.935           | -                    | 831.184   | 695.205      |
| Grand total                       | 568            | 509.250       | 3.628.345      | 301.798        | 224.904      | 48.933           | -                    | 4.713.798 | 3.501.698    |

**Explanations and notes related to unconsolidated financial statements (continued)**

**c. Information on dividend income:**

|   | Current Period | Prior Period   |
|---|----------------|----------------|
| Trading financial assets                              | -              | -              |
| Financial assets at fair value through profit or loss | -              | -              |
| Available-for-sale financial assets                   | 3              | 3.235          |
| Subsidiaries and associates                           | 174.123        | 129.552        |
| Other   | 3              | -              |
| <b>Total</b>  | <b>174.129</b> | <b>132.787</b> |

**ç. Information on trading gain/loss (net):**

|   | Current Period      | Prior Period        |
|---|---------------------|---------------------|
| <b>Gain</b>                             | <b>36.521.038</b>   | <b>29.900.931</b>   |
| Gain from capital market transactions   | 307.792             | 627.410             |
| Derivative financial transaction gains  | 8.013.700           | 10.459.089          |
| Foreign exchange gains                  | 28.199.546          | 18.814.432          |
| <b>Loss (-)</b>                         | <b>(36.937.156)</b> | <b>(29.785.883)</b> |
| Loss from capital market transactions   | (31.714)            | (58.289)            |
| Derivative financial transaction losses | (9.384.845)         | (8.775.548)         |
| Foreign exchange loss                   | (27.520.597)        | (20.952.046)        |
| <b>Net gain/loss</b>                    | <b>(416.118)</b>    | <b>115.048</b>      |

**d. Information on gain/loss from derivative financial transactions:**

The amount of net income/loss from derivative financial transactions related to exchange rate changes is TL 480.170 loss (December 31, 2013 – TL 2.299.926).

**e. Information on other operating income:**

Other operating income mainly results from collections from provisions recorded as expense, release of provisions and sale of fixed assets.

**f. Provision for impairment of loans and other receivables:**

|   | Current Period   | Prior Period     |
|---|------------------|------------------|
| Specific provisions for loans and other receivables                                   | 1.257.795        | 1.097.268        |
| III. Group loans and receivables  | 46.747           | 23.158           |
| IV. Group loans and receivables   | 119.991          | 65.545           |
| V. Group loans and receivables  | 1.091.057        | 1.008.565        |
| General provision expenses  | 459.433          | 224.817          |
| Provision expense for possible risks  | 23.178           | 50.705           |
| Marketable securities impairment expenses <sup>(1)</sup>                              | 55.459           | 31.124           |
| Financial assets at fair value through profit or loss                                 | 565              | 1.436            |
| Available-for-sale financial assets   | 54.894           | 29.688           |
| Impairment of investments in associates, subsidiaries and held-to-maturity securities | 35.360           | 32.081           |
| Investments in associates   | -                | -                |
| Subsidiaries  | -                | -                |
| Joint ventures  | -                | -                |
| Held-to-maturity investments <sup>(1)</sup>   | 35.360           | 32.081           |
| Other   | 30.753           | 39.410           |
| <b>Total</b>  | <b>1.861.978</b> | <b>1.475.405</b> |

(1) Includes amortisation of the premiums paid during the purchase of the securities throughout the maturity of the securities and the impairment provisions, if any.

**Explanations and notes related to unconsolidated financial statements (continued)**

**g. Information related to other operating expenses:**

|   | <b>Current Period</b> | <b>Prior Period</b> |
|---|-----------------------|---------------------|
| Personnel expenses  | 1.562.826             | 1.330.147           |
| Reserve for employee termination benefits   | -                     | 7.090               |
| Provision expense for pension fund  | -                     | -                   |
| Impairment expenses of property and equipment   | -                     | -                   |
| Depreciation expenses of property and equipment   | 156.155               | 156.010             |
| Impairment expenses of intangible assets  | -                     | -                   |
| Goodwill impairment expenses  | -                     | -                   |
| Amortisation expenses of intangible assets  | 102.654               | 75.766              |
| Impairment expenses of equity participations for which equity method applied                    | -                     | -                   |
| Impairment expenses of assets held for resale   | 566                   | 302                 |
| Depreciation expenses of assets held for resale   | 4.958                 | 4.586               |
| Impairment expenses of fixed assets held for sale and assets related to discontinued operations | -                     | -                   |
| Other operating expenses  | 1.348.965             | 1.140.522           |
| Operational lease expenses  | 205.335               | 171.965             |
| Repair and maintenance expenses   | 70.017                | 58.544              |
| Advertising expenses  | 129.890               | 96.920              |
| Other expense   | 943.723               | 813.093             |
| Loss on sales of assets   | 32.400                | 299                 |
| Other   | 721.352               | 624.290             |
| <b>Total</b>  | <b>3.929.876</b>      | <b>3.339.012</b>    |

**ğ. Information on profit/loss before taxes from continuing operations and discontinued operations:**

The profit before tax includes TL 5.605.707 (31 December 2012 – TL 4.664.232) of net interest income, TL 2.200.615 (31 December 2013 – TL 2.006.317) of net fees and commissions and TL 3.929.876 (31 December 2013 – TL 3.339.012) of other operations.

As of December 31, 2014, the Bank has no (December 31, 2013 – TL 1.227.271) profit before tax from discontinued operations.

**h. Provision for taxes on income from continuing operations and discontinued operations:**

As of December 31, 2014, the Bank has TL 680.515 (December 31, 2013 – TL 151.385) tax expense from continued operations, from discontinued operations none (December 31, 2013 – TL 54.836 tax expense) and deferred tax income from continued operations amounting to TL 155.856 (December 31, 2013 – TL 374.402 deferred tax expense).

Total provision for taxes on income for the current period and the previous period:

|  | <b>Current Period</b> | <b>Prior Period</b> |
|--|-----------------------|---------------------|
| Profit before tax                                | 2.369.625             | 3.783.598           |
| Tax calculated at rate of 20%                    | 473.925               | 756.720             |
| Nondeductible expenses, discounts and other, net | 50.734                | (176.097)           |
| <b>Total</b>                                     | <b>524.659</b>        | <b>580.623</b>      |

## **Explanations and notes related to consolidated financial statements (continued)**

### **i. Information on net income/loss for the period:**

1. The characteristics, dimension and recurrence of income or expense items arising from ordinary banking transactions do not require any additional explanation to understand the Bank's current period performance.
2. Information on any change in the accounting estimates concerning the current period or future periods: None.

### **i. Other items in income statement:**

"Other fees and commissions received" in income statement mainly includes commissions and fees from credit cards and banking transactions.

## **V. Explanations and notes related to statement of changes in shareholders' equity**

### **a. Information on dividends:**

Authorised body for profit appropriation of the current period is General Assembly. As of the preparation date of these financial statements, annual ordinary meeting of the General Assembly has not been held yet.

### **b. Information on increase/decrease amounts resulting from merger:**

None.

### **c. Information on available for sale financial assets:**

"Unrealised gain/loss" arising from changes in the fair value of securities classified as available-for-sale are not recognized in current year income statement but recognized in the "Marketable securities valuation differences" account under equity, until the financial assets are derecognised, sold, disposed or impaired.

### **ç. Hedging transactions:**

The Bank has begun to apply cash flow hedge accounting in order to hedge the risk of cash flow of its liabilities from January 1, 2010. In the scope of this application, the derivative financial instruments are specified as floating rate and fixed rate interest payment USD, EUR and TL interest rate swaps, hedging liabilities as the USD, EUR and TL customer deposits, repos, cash outflows due to re-pricing of loans because of the expected interest rate financing. In this context, fair value change of the effective portion of derivative financial instruments accounted in equity hedge funds, taking into account tax effects. Such amount as of December 31, 2014 is TL 297.009 loss (December 31, 2013 - TL 115.117 loss).

### **d. Information on share issue premium:**

Explained in details in Note XIX of Section Three.



## Explanations and notes related to consolidated financial statements (continued)

### VI. Explanations and notes related to statement of cash flows

#### a. Information on cash and cash equivalents:

1. Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash and foreign currency balances together with demand deposits at banks including the unrestricted amounts of CBRT are defined as "Cash"; money market placements and time deposits in banks with original maturities of less than three months are defined as "Cash Equivalents".

2. Effect of a change in the accounting policies: None.
3. Reconciliation of cash and cash equivalent items with balance sheet and cash flow statements:
- 3 (i). Cash and cash equivalents at the beginning of period:

|  | Current Period   | Prior Period     |
|--|------------------|------------------|
| <b>Cash</b>                            | 5.109.449        | 4.836.744        |
| Cash and effectives                    | 1.748.979        | 1.515.441        |
| Demand deposits in banks               | 3.360.470        | 3.321.303        |
| <b>Cash equivalents</b>                | 4.162.764        | 3.472.362        |
| Interbank money market                 | 2.893.436        | 2.725.227        |
| Time deposits in banks                 | 1.269.328        | 747.135          |
| <b>Total cash and cash equivalents</b> | <b>9.272.213</b> | <b>8.309.106</b> |

- 3 (ii). Cash and cash equivalents at the end of the period:

|  | Current Period   | Prior Period     |
|--|------------------|------------------|
| <b>Cash</b>                            | 7.377.737        | 5.109.449        |
| Cash and effectives                    | 2.214.524        | 1.748.979        |
| Demand deposits in banks               | 5.163.213        | 3.360.470        |
| <b>Cash equivalents</b>                | 1.823.458        | 4.162.764        |
| Money market                           | 1.567.000        | 2.893.436        |
| Time deposits in banks                 | 256.458          | 1.269.328        |
| <b>Total cash and cash equivalents</b> | <b>9.201.195</b> | <b>9.272.213</b> |

#### b. Information on cash and cash equivalents those are not available for use due to legal limitations and other reasons:

Reserves amounting to TL 20.752.797 (December 31, 2013 – TL 17.027.952) in CBRT represent the reserve requirements of the Bank.

**Explanations and notes related to unconsolidated financial statements (continued)**

**c. Explanations on other items in the statement of cash flows and the effects of the change in foreign exchange rates on cash and cash equivalents:**

Decrease in "Other Account" amounting to TL 299.378 as of December 31, 2014 (December 31, 2013 – TL 4.219.569 decrease), which is classified under "Operating profit before changes in operating assets and liabilities", includes mainly fee and commissions given, other operating expenses excluding personnel expenses, and foreign exchange gains/losses.

Increase in "Net increase/decrease in other liabilities" amounting to TL 2.786.132 as of December 31, 2014 (December 31, 2013 – TL 1.892.854 increase), mainly consist of changes in other debts and other liabilities.

The effects of the change in foreign exchange rates on cash and cash equivalents are calculated as an increase approximately of TL 115.664 as of December 31, 2014 (December 31, 2013 – TL 621.837 increase).

## Explanations and notes related to unconsolidated financial statements (continued)

### VII. Explanations and notes related to the Bank's risk group

#### a. The volume of transactions relating to the Bank's risk group, outstanding loan and deposit transactions and profit and loss of the period:

##### 1. Current Period:

| Bank's risk group <sup>(1), (2)</sup>          | Associates, subsidiaries and joint ventures |              | Direct and indirect shareholders of the Bank |              | Other real and legal persons that have been included in the risk group |              |
|--|---|--------------|--|--------------|--|--------------|
|  | Cash  | Non-cash     | Cash   | Non-cash     | Cash   | Non-cash     |
| Loans and other receivables                    |   |              |  |              |  |              |
| Balance at the beginning of the period         | 109.348                                     | 497.720      | 52.615                                       | 450.294      | 806.128  | 1.048.902    |
| Balance at the end of the period               | 99.878                                      | 422.846      | 47.802                                       | 536.763      | 1.288.096  | 2.092.659    |
| <b>Interest and commission income received</b> | <b>24.847</b>                               | <b>2.225</b> | <b>5.031</b>                                 | <b>4.074</b> | <b>102.446</b>   | <b>9.772</b> |

(1) Defined in subsection 2 of the 49th article of the Banking Act No.5411.

(2) The information in table above includes loans and due from banks as well as marketable securities.

##### Prior Period:

| Bank's risk group <sup>(1), (2)</sup>          | Associates, subsidiaries and joint ventures |              | Direct and indirect shareholders of the Bank |              | Other real and legal persons that have been included in the risk group |               |
|--|---|--------------|--|--------------|--|---------------|
|  | Cash  | Non-cash     | Cash   | Non-cash     | Cash   | Non-cash      |
| Loans and other receivables                    |   |              |  |              |  |               |
| Balance at the beginning of the period         | 203.903                                     | 151.354      | 15.430                                       | 403.915      | 706.576  | 936.967       |
| Balance at the end of the period               | 109.348                                     | 497.720      | 52.615                                       | 450.294      | 806.128  | 1.048.902     |
| <b>Interest and commission income received</b> | <b>13.304</b>                               | <b>2.227</b> | <b>9.531</b>                                 | <b>2.835</b> | <b>63.416</b>  | <b>13.048</b> |

(1) Defined in subsection 2 of the 49th article of the Banking Act No.5411.

(2) The information in table above includes marketable securities and due from banks as well as loans.

##### 2. Information on deposits of the Bank's risk group:

| Bank's risk group <sup>(1), (2)</sup> | Associates, subsidiaries and joint ventures |               | Direct and indirect shareholders of the Bank |                | Other real and legal persons that have been included in the risk group |                |
|---------------------------------------|---|---------------|--|----------------|--|----------------|
|                                       | Current Period                              | Prior Period  | Current Period                               | Prior Period   | Current Period   | Prior Period   |
| <b>Deposit</b>                        |   |               |  |                |  |                |
| Beginning of the period               | 2.443.971                                   | 770.943       | 11.261.140                                   | 5.838.878      | 6.391.249  | 8.016.750      |
| End of the period                     | 2.229.278                                   | 2.443.971     | 10.228.006                                   | 11.261.140     | 10.038.882   | 6.391.249      |
| <b>Interest expense on deposits</b>   | <b>91.095</b>                               | <b>58.058</b> | <b>509.074</b>                               | <b>389.370</b> | <b>290.513</b>   | <b>279.868</b> |

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.

(2) The information in table above includes borrowings, marketable securities issued and repo transactions as well as deposits.

## Explanations and notes related to unconsolidated financial statements (continued)

### 3. Information on forward and option agreements and other derivative instruments with the Bank's risk group:

| Bank's risk group <sup>(1)</sup>                                       | Associates, subsidiaries and joint ventures |               | Direct and indirect shareholders of the Bank |              | Other real and legal persons that have been included in the risk group |              |
|--|---|---------------|--|--------------|--|--------------|
|  | Current Period                              | Prior Period  | Current Period                               | Prior Period | Current Period   | Prior Period |
| <b>Transactions at fair value through profit or loss<sup>(2)</sup></b> |   |               |  |              |  |              |
| Beginning of the period <sup>(3)</sup>                                 | 5.973.118                                   | 1.403.949     | 460.395                                      | 300.627      | 659.635  | 273.177      |
| End of the period <sup>(3)</sup>                                       | 872.477                                     | 5.973.118     | 428.403                                      | 460.395      | 718.079  | 659.635      |
| <b>Total profit / (loss)</b>   | <b>25.703</b>                               | <b>80.224</b> | <b>(1.830)</b>                               | <b>5.174</b> | <b>(64.376)</b>  | <b>25</b>    |
| <b>Transactions for hedging purposes<sup>(2)</sup></b>                 |   |               |  |              |  |              |
| Beginning of the period <sup>(3)</sup>                                 |   | -             |  | -            |  | -            |
| End of the period <sup>(3)</sup>                                       |   | -             |  | -            |  | -            |
| <b>Total profit / (loss)</b>   |   | -             |  | -            |  | -            |

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.

(2) The Bank's derivative instruments are classified as "at Fair Value Through Profit or Loss" or "for Hedging Purposes" according to TAS 39.

(3) The balances at the beginning and end of the periods are disclosed as the total of buy and sell amounts of derivative financial instruments.

### b. Information regarding benefits provided to the Bank's top management:

Salaries and benefits paid to the Bank's top management amount to TL 34.914 as of December 31, 2014 (December 31, 2013 – TL 36.657).

## VIII. Explanations and notes related to the domestic, foreign, off-shore branches or associates and foreign representatives of the Bank:

|                                 | Number | Number of Employees | Country of incorporation | Total asset | Statutory share capital |
|---------------------------------|--------|---------------------|--------------------------|-------------|-------------------------|
| Domestic Branch                 | 1002   | 17.454              |                          |             |                         |
| Foreign Rep. Office             | -      | -                   | -                        |             |                         |
| Foreign Branch                  | 1      | 3                   | Bahrain                  | 7.677.632   | -                       |
| Off-Shore Banking Region Branch | -      | -                   | -                        | -           | -                       |

**Explanations and notes related to unconsolidated financial statements (continued)**

**IX. Explanations and notes related to subsequent events:**

In accordance with the decision taken in the Board of Directors Meeting held on January 19, 2015, it was decided to establish a company, with a paid-in capital amount up to 5.000.000 full TL paid by the Bank, which operates in information technology sector and provides software development, research/development and consultancy activities in İstanbul Teknik Üniversitesi ARI Teknokent Teknoloji Geliştirme Bölgesi and it was decided to authorize the Head Quarter of the Bank in order to apply for relevant regulatory approvals and authorizations.

#### Section Six: Other Explanations and Notes

##### I. Other explanations on the Bank's operations

None

#### Section Seven: Explanations on independent audit report

##### I. Explanations on independent auditor's report

The unconsolidated financial statements for the period ended December 31, 2014 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global Limited). The independent auditor's report dated, February 2, 2015 is presented preceding the unconsolidated financial statements.

##### II. Explanations and notes prepared by independent auditor

None.

(Convenience translation of the independent auditor's report originally issued in Turkish, See Note I. of Section three)

#### Independent audit report

##### To the Board of Directors of Yapı ve Kredi Bankası A.Ş.:

We have audited the accompanying consolidated balance sheet of Yapı ve Kredi Bankası A.Ş. ("the Bank") and its consolidated subsidiaries ("the Group") as at December 31, 2014 and the related consolidated income statement, consolidated statement of income and expense items accounted under shareholders' equity, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity for the year then ended and summary of significant accounting policies and other explanatory notes to the financial statements.

##### Responsibility of the Bank's Board of Directors for the financial statements:

The Board of Directors of the Bank is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents" published in the Official Gazette dated November 1, 2006 and numbered 26333 and Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting made by the Banking Regulation and Supervision Agency. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error and selecting and applying appropriate accounting policies.

##### Auditor's responsibility:

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the "Regulation on Authorization and Activities of Institutions to Conduct Independent Audit in Banks" published in the Official Gazette dated November 1, 2006 and numbered 26333 and with the Independent Auditing Standards which is a part of Turkish Auditing Standards promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA"). We planned and performed our audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the consideration of the effectiveness of internal control and appropriateness of accounting policies applied relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

##### Independent auditor's opinion:

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Yapı ve Kredi Bankası A.Ş. and its consolidated subsidiaries as at December 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per Articles 37 and 38 of the Banking Act No: 5411, and other regulations, communiqués, circulars and pronouncements made by the Banking Regulation and Supervision Agency in respect of accounting and financial reporting.

##### Reports on arising from other regulatory requirements:

- 1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period January 1 – December 31, 2014 are not in compliance with the code and provisions of the Bank's articles of association in relation to financial reporting.
- 2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

##### Additional paragraph for convenience translation to English:

As explained in detail in Note I. of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with Articles 37 and 38 of the Banking Act No: 5411, accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst & Young Global Limited



Ethem Kutucular, SMMM  
Partner

İstanbul, February 2, 2015

**The consolidated financial report of  
Yapı ve Kredi Bankası A.Ş. as of December 31, 2014**

E-Mail: financialreports@yapikredi.com.tr

The consolidated financial report for the three months which is prepared in accordance with the "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" as regulated by the Banking Regulation and Supervision Agency, includes the following sections.








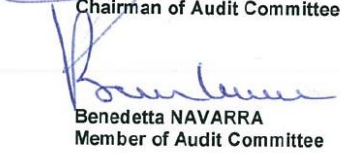

- **Section one** - General information about the parent bank
- **Section two** - Consolidated financial statements of the parent bank
- **Section three** - Explanations on accounting policies applied in the related period
- **Section four** - Information related to financial position of the group
- **Section five** - Explanations and notes related to consolidated financial statements
- **Section six** - Other explanations
- **Section seven** - Independent auditor's report

Investments in subsidiaries, associates and joint ventures, whose financial statements have been consolidated in this consolidated financial statements are as follows.

| Subsidiaries                               | Associates                                  | Joint Ventures   |
|--|---|--|
| 1. Yapı Kredi Finansal Kiralama A.O.       | 1. Banque de Commerce et de Placements S.A. | 1. Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş. |
| 2. Yapı Kredi Faktoring A.Ş.               | 2. Allianz Yaşam ve Emeklilik A.Ş.          |  |
| 3. Yapı Kredi Yatırım Menkul Değerler A.Ş. |   |  |
| 4. Yapı Kredi Portföy Yönetimi A.Ş.        |   |  |
| 5. Yapı Kredi Holding B.V.                 |   |  |
| 6. Yapı Kredi Bank Nederland N.V.          |   |  |
| 7. Yapı Kredi Bank Moscow                  |   |  |
| 8. Stichting Custody Services YKB          |   |  |
| 9. Yapı Kredi Bank Azerbaijan CJSC         |   |  |
| 10. Yapı Kredi Invest LLC                  |   |  |
| 11. Yapı Kredi Bank Malta Ltd              |   |  |

Although, Yapı Kredi Diversified Payment Rights Finance Company (the Structured Entity) is not a subsidiary of the Bank, it has been included in the consolidation since the Bank has a 100% control.

The accompanying consolidated financial statements for the year end and notes to these financial statements which are expressed (unless otherwise stated) in **thousands of Turkish Lira**, have been presented based on the accounting books of the Bank prepared in accordance with Regulation on the Principles and Procedures Regarding Banks' Accounting and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and relating appendices and interpretations on these, and have been independently audited.

|  |  |   |  |
|--|--|---|--|
| <br><b>Mustafa V. KOÇ</b><br>Chairman of the Board of Directors | <br><b>H. Faik AÇIKALIN</b><br>Chief Executive Officer      | <br><b>Marco IANNACCONE</b><br>Chief Financial Officer        | <br><b>B. Seda KIZLER</b><br>Head of Financial Reporting and Accounting<br>Executive Vice President |
| <br><b>Gianni F.G. PAPA</b><br>Chairman of Audit Committee      | <br><b>Francesco GIORDANO</b><br>Member of Audit Committee | <br><b>F. Füsun Akkal BOZOK</b><br>Member of Audit Committee |  |
| <br><b>Benedetta NAVARRA</b><br>Member of Audit Committee       | <br><b>Adil G. ÖZTOPRAK</b><br>Member of Audit Committee   |   |  |

Contact information of the personnel in charge for addressing questions about this financial report:

Name-Surname / Title : Barış Savur / International Reporting and Consolidation Manager  
Telephone Number : (0212) 339 63 22  
Fax Number : (0212) 339 61 05



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**Yapı ve Kredi Bankası A.Ş.**

**Notes to consolidated financial statements as of December 31, 2014**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**Section One: General Information**

**I. History of the Parent Bank including its incorporation date, initial legal status and amendments to legal status, if any:**

Yapı ve Kredi Bankası A.Ş. ("the Bank", "Yapı Kredi" or "the Parent Bank"), was established and started operations on September 9, 1944 with the permission of the Council of Ministers No. 3/6710 as a private capital commercial bank authorised to perform all banking, economic, financial and commercial activities which are allowed by the laws of the Turkish Republic. The statute of the Bank has not changed since its incorporation.

**II. Explanation about the Parent Bank's capital structure, shareholders holding directly or indirectly, collectively or individually, the management and controlling power and changes in current year, if any and explanations on the controlling Group of the Bank:**

The Parent Bank's publicly traded shares are traded on the Borsa Istanbul ("BIST") since 1987 and the representatives of these shares, Global Depository Receipts, are quoted at the London Stock Exchange. As of December 31, 2014, 18,2018,20% of the shares of the Bank are publicly traded (December 31, 2012December 31, 2012, - 18,2018,20%). The remaining 81,8081,80% is owned by Koç Finansal Hizmetler A.Ş. ("KFS"), a joint venture of UniCredit ("UCG") and Koç Group.

KFS was established on March 16, 2001 to combine Koç Group finance companies under one organisation and it became the main shareholder of Koçbank in 2002. On October 22, 2002, Koç Group established a strategic partnership with UCG over KFS.

In 2005, the Bank's shares that were owned by Çukurova Group Companies and the Saving Deposits Insurance Fund ("SDIF") were purchased by Koçbank. In 2006, Koçbank purchased additional shares of the Bank from BIST and an investment fund and, during the same year, all rights, receivables, debts and liabilities of Koçbank were transferred to the Bank pursuant the merger of the two banks.

In 2006 and 2007, with the acquisition of Yapı Kredi and its subsidiaries, KFS Group launched structural reorganisation and the following subsidiaries is still under the control of group were legally merged:

| Merging entities  | Merger date       | Merged entity        |
|---|-------------------|----------------------|
| Yapı Kredi  | October 2, 2006   | Yapı Kredi           |
| Yapı Kredi Finansal Kiralama A.O. ("Yapı Kredi Leasing")      | December 25, 2006 | Yapı Kredi Leasing   |
| Yapı Kredi Faktoring A.Ş. ("Yapı Kredi Faktoring")            | December 29, 2006 | Yapı Kredi Faktoring |
| Yapı Kredi Portföy Yönetimi A.Ş. ("Yapı Kredi Portföy")       | December 29, 2006 | Yapı Kredi Portföy   |
| Yapı Kredi Yatırım Menkul Değerler A.Ş. ("Yapı Kredi Menkul") | January 12, 2007  | Yapı Kredi Menkul    |
| Yapı Kredi Bank Nederland N.V. ("Yapı Kredi NV")              | July 2, 2007      | Yapı Kredi NV        |

After the merger and the share transfer procedures in 2007 and of a capital increase by TL 920 million in 2008, KFS owns 81,80% of the shares of the Bank.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2014 (continued)

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

### General information (continued)

### III. Explanations regarding the board of directors, members of the audit committee, Chief Executive Officer and executive vice presidents, and their areas of responsibility and shares if any:

As of December 31, 2014, the Parent Bank's Board of Directors, Members of the Audit Committee, General Manager and Assistant General Managers are as follows:

Board of Directors Members:

| Name                                | Responsibility  |
|-------------------------------------|---|
| Mustafa V. KOÇ                      | Chairman  |
| Gianni F.G. PAPA                    | Vice Chairman   |
| H. Faik AÇIKALIN                    | Chief Executive Officer                               |
| Carlo VIVALDI <sup>(1)</sup>        | Executive Director and Deputy Chief Executive Officer |
| Adil Giray ÖZTOPRAK                 | Member  |
| Ahmet Fadil ASHABOĞLU               | Member  |
| Benedetta NAVARRA                   | Member  |
| Francesco GIORDANO                  | Member  |
| Füsün Akkal BOZOK                   | Member  |
| Jürgen Dr. KULLNIGG                 | Member  |
| Laura Stefania PENNA <sup>(1)</sup> | Member  |
| Osman Turgay DURAK                  | Member  |

Audit Committee Members:

| Name                | Responsibility |
|---------------------|----------------|
| Gianni F.G. PAPA    | Chairman       |
| Adil Giray ÖZTOPRAK | Member         |
| Benedetta NAVARRA   | Member         |
| Francesco GIORDANO  | Member         |
| Füsün Akkal BOZOK   | Member         |

General Manager and Deputy General Manager:

| Name                         | Responsibility          |
|------------------------------|-------------------------|
| H. Faik AÇIKALIN             | Chief Executive Officer |
| Carlo VIVALDI <sup>(1)</sup> | Deputy General Manager  |

1) According to the decisions taken in the Board of Directors Meeting held on January 19, 2015, it was decided to;

- end Vice Chairman of the Board role of Gianni F. G. Papa and appoint him as Board Member effective from February 16, 2015,
- end Executive Board Member role of Carlo Vivaldi and appoint as Vice Chairman of the Board effective from February 16, 2015,
- appoint Niccoló Ubertalli as Executive Board Member, subject to approval of the first General Assembly of the Bank, instead of Laura Stefanie Penna who has resigned her position as Board Member effective from February 16, 2015,
- apply to BRSA in order to appoint Niccoló Ubertalli as Deputy General Manager of the Bank, instead of Carlo Vivaldi who is going to leave his position as Deputy General Manager, effective from February 16, 2015.

**Yapı ve Kredi Bankası A.Ş.**

**Notes to consolidated financial statements as of December 31, 2014 (continued)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**General information (continued)**

Assistant General Managers:

| Name                       | Responsibility  |
|----------------------------|---|
| Akif Cahit ERDOĞAN         | Information Technologies and Operation Management                         |
| Cemal Aybars SANAL         | Legal Activities Management   |
| Feza TAN                   | Corporate and Commercial Banking Management                               |
| Marco IANNACCONE           | Financial Planning and Administration Management                          |
| Mehmet Erkan ÖZDEMİR       | Compliance and Internal Control / Consumer Relations Coordination Officer |
| Mehmet Gökmen UÇAR         | Retail Credits Management   |
| Mehmet Murat ERMERT        | Corporate Communication Management  |
| Mert ÖNCÜ                  | Treasury Management   |
| Mert YAZICIOĞLU            | Private Banking and Asset Management                                      |
| Nurgün EYÜBOĞLU            | Corporate and Commercial Credit Management                                |
| Stefano PERAZZINI          | Internal Audit / Chief Audit Executive                                    |
| Süleyman Cihangir KAVUNCU  | Human Resources and Organization Management                               |
| Wolfgang SCHILK            | Risk Management   |
| Yakup DOĞAN                | Alternative Distribution Channels   |
| Zeynep Nazan SOMER ÖZELGİN | Retail Banking Management   |

**IV. Information on the individual and corporate shareholders having control shares of the Parent Bank:**

| Name/Commercial title       | Share amounts (nominal) | Share percentage | Paid-in capital (nominal) | Unpaid portion |
|-----------------------------|-------------------------|------------------|---------------------------|----------------|
| Koç Finansal Hizmetler A.Ş. | 3.555.712.396,07        | %81,80           | 3.555.712.396,07          | -              |

Koç Finansal Hizmetler A.Ş. is a joint venture of Koç Group, UniCredit Group and Temel Ticaret ve Yatırım A.Ş.

**V. Summary information on the Parent Bank's activities and service types:**

The Parent Bank's activities summarized from the article 3 of the articles of association are as follows:

The Parent Bank's purpose and subject matter in accordance with the Banking Law, regulations and existing laws include:

- The execution of all banking activities,
- The execution of all economic and financial activities which are allowed by the regulation,
- The execution of the representation, attorney and agency activities related to the subjects written above,
- The purchase and sale of share certificates, bonds and all the capital market instruments, in accordance with Capital Market Law and regulations.

In case of necessity for performing activities which are useful and required but that are not specified in the articles of association, a Board of Directors' proposal is to be presented to the General Assembly.

With the approval of the General Assembly the proposal becomes applicable, subject to the approvals required by law.

As of December 31, 2014, the Parent Bank has 1.0021.002 branches operating in Turkey and 11 branch in overseas (December 31, 2013 - 948948 branches operating in Turkey, 11 branch in overseas).

As of December 31, 2014, the Parent Bank has 17.45717.457 employees (December 31, 2012 - 15.68315.683 employees). The Parent Bank together with its consolidated subsidiaries is referred to as the "Group" in these consolidated financial statements. As of December 31, 2014 the Group has 18.53418.534 employees (December 31, 2013 - 16.68016.680 employees).

The accompanying consolidated financial statements and notes to these financial statements are expressed in thousands of Turkish Lira (TL), unless otherwise stated.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2014 (continued)

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**VI. Differences between the communiqué on preparation of consolidated financial statements of Banks and Turkish Accounting Standards and short explanation about the entities subject to full consolidation or proportional consolidation and entities which are deducted from equity or entities which are not included in these three methods:**

According to Communiqué of the Preparation Consolidated Financial Statements and Turkish Accounting Standards, Banque de Commerce et de Placements SA, one of the associates of the Bank, and Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı, an entity under common control, are consolidated through "Equity Method" in the accompanying consolidated financial statements of the Group. Allianz Yaşam ve Emeklilik A.Ş., on which the Bank has indirect participation, is also consolidated through "Equity Method" in the consolidated financial statements of the Group. These entities are taken into account as a deduction item in shareholders' equity for the purpose of calculation of capital adequacy ratio.

Yapı Kredi Kültür Sanat Yayıncılık Tic. ve San. A.Ş., and Enternasyonal Turizm Yatırım A.Ş., which are subsidiaries of the Bank, are not consolidated into the Bank's consolidated financial statements in accordance with Communiqué of Preparation of Consolidated Financial Statements since these entities are not financial institutions.

All other subsidiaries are fully consolidated.

**VII. The existing or potential, actual or legal obstacles on the immediate transfer of shareholder's equity between the Bank and its subsidiaries or reimbursement of liabilities:**

None.

## Yapı ve Kredi Bankası A.Ş.

## Consolidated financial statements as of December 31, 2014 and 2013

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

## Section two: Consolidated financial statements

## I. Consolidated balance sheet (Statement of Financial Position)

|  |                           |                    | Current Period<br>(31/12/2014) |                    |                   | Prior Period<br>(31/12/2013) |                    |
|--|---------------------------|--------------------|--------------------------------|--------------------|-------------------|------------------------------|--------------------|
| Assets   | Note<br>(Section<br>Five) | TL                 | FC                             | Total              | TL                | FC                           | Total              |
| I. Cash and balances with Central Bank                                     | I-a                       | 2.990.682          | 20.223.983                     | 23.214.665         | 1.330.475         | 17.660.274                   | 18.990.749         |
| II. Financial assets at fair value through profit or (loss) (net)          | I-b                       | 1.044.488          | 165.304                        | 1.209.792          | 1.529.329         | 193.835                      | 1.723.164          |
| 2.1 Trading financial assets   |                           | 1.044.488          | 165.304                        | 1.209.792          | 1.529.329         | 193.835                      | 1.723.164          |
| 2.1.1 Government debt securities   |                           | 69.529             | 25.622                         | 95.151             | 30.448            | 24.519                       | 54.967             |
| 2.1.2 Share certificates   |                           | 4.037              | -                              | 4.037              | 20.719            | -                            | 20.719             |
| 2.1.3 Derivative financial assets held for trading                         |                           | 970.839            | 139.682                        | 1.110.521          | 1.427.991         | 168.121                      | 1.596.112          |
| 2.1.4 Other marketable securities  |                           | 83                 | -                              | 83                 | 50.171            | 1.195                        | 51.366             |
| 2.2 Financial assets designated at fair value through profit / (loss)      |                           | -                  | -                              | -                  | -                 | -                            | -                  |
| 2.2.1 Government debt securities   |                           | -                  | -                              | -                  | -                 | -                            | -                  |
| 2.2.2 Share certificates   |                           | -                  | -                              | -                  | -                 | -                            | -                  |
| 2.2.3 Loans  |                           | -                  | -                              | -                  | -                 | -                            | -                  |
| 2.2.4 Other marketable securities  |                           | -                  | -                              | -                  | -                 | -                            | -                  |
| III. Banks   | I-ç                       | 950.505            | 2.941.370                      | 3.891.875          | 516.091           | 3.493.035                    | 4.009.126          |
| IV. Money markets  |                           | 1.568.750          | -                              | 1.568.750          | 2.879.994         | 48.453                       | 2.928.447          |
| 4.1 Interbank money market placements                                      |                           | -                  | -                              | -                  | -                 | -                            | -                  |
| 4.2 Receivables from Istanbul Stock Exchange Money Market                  |                           | 248.247            | -                              | 248.247            | 1.701.131         | 48.453                       | 1.749.584          |
| 4.3 Receivables from reverse repurchase agreements                         |                           | 1.320.503          | -                              | 1.320.503          | 1.178.863         | -                            | 1.178.863          |
| V. Financial assets available-for-sale (net)                               | I-d,e                     | 15.321.839         | 3.352.258                      | 18.674.097         | 9.293.502         | 3.915.860                    | 13.209.362         |
| 5.1 Share certificates   |                           | 43.210             | 400                            | 43.610             | 37.381            | 392                          | 37.773             |
| 5.2 Government debt securities   |                           | 13.892.754         | 2.391.900                      | 16.284.654         | 7.859.125         | 3.419.501                    | 11.278.626         |
| 5.3 Other marketable securities  |                           | 1.385.875          | 959.958                        | 2.345.833          | 1.396.996         | 495.967                      | 1.892.963          |
| VI. Loans and receivables  | I-f                       | 84.713.077         | 42.094.032                     | 126.807.109        | 66.274.045        | 34.349.885                   | 100.623.930        |
| 6.1 Loans and receivables  |                           | 83.654.068         | 41.879.999                     | 125.534.067        | 65.336.611        | 34.099.247                   | 99.435.858         |
| 6.1.1 Loans to bank's risk group   |                           | 1.170.818          | 243.496                        | 1.414.314          | 586.364           | 414.459                      | 1.000.823          |
| 6.1.2 Government debt securities   |                           | -                  | -                              | -                  | -                 | -                            | -                  |
| 6.1.3 Other  |                           | 82.483.250         | 41.636.503                     | 124.119.753        | 64.750.247        | 33.684.788                   | 98.435.035         |
| 6.2 Loans under follow-up  |                           | 3.762.524          | 616.799                        | 4.379.323          | 3.056.127         | 576.946                      | 3.633.073          |
| 6.3 Specific provisions (-)  |                           | (2.703.515)        | (402.766)                      | (3.106.281)        | (2.118.693)       | (326.308)                    | (2.445.001)        |
| VII. Factoring receivables   |                           | 1.596.058          | 1.172.175                      | 2.768.233          | 1.165.611         | 976.724                      | 2.142.335          |
| VIII. Held-to-maturity investments (net)                                   | I-g                       | 1.937.723          | 3.618.646                      | 5.556.369          | 3.577.663         | 3.311.940                    | 6.889.603          |
| 8.1 Government debt securities   |                           | 1.927.769          | 3.314.617                      | 5.242.386          | 3.562.986         | 2.964.382                    | 6.527.368          |
| 8.2 Other marketable securities  |                           | 9.954              | 304.029                        | 313.983            | 14.677            | 347.558                      | 362.235            |
| IX. Investments in associates (net)  | I-ğ                       | 200.717            | 260.370                        | 461.087            | 198.002           | 253.462                      | 451.464            |
| 9.1 Consolidated based on equity method                                    |                           | 196.214            | 260.370                        | 456.584            | 193.499           | 253.462                      | 446.961            |
| 9.2 Unconsolidated   |                           | 4.503              | -                              | 4.503              | 4.503             | -                            | 4.503              |
| 9.2.1 Investments in financial associates                                  |                           | -                  | -                              | -                  | -                 | -                            | -                  |
| 9.2.2 Investments in non-financial associates                              |                           | 4.503              | -                              | 4.503              | 4.503             | -                            | 4.503              |
| X. Subsidiaries (net)  | I-h                       | 2.300              | -                              | 2.300              | 2.300             | -                            | 2.300              |
| 10.1 Unconsolidated financial subsidiaries                                 |                           | -                  | -                              | -                  | -                 | -                            | -                  |
| 10.2 Unconsolidated non-financial subsidiaries                             |                           | 2.300              | -                              | 2.300              | 2.300             | -                            | 2.300              |
| XI. Joint ventures (net)   | I-ı                       | 19.054             | -                              | 19.054             | 10.376            | -                            | 10.376             |
| 11.1 Accounted based on equity method                                      |                           | 19.054             | -                              | 19.054             | 10.376            | -                            | 10.376             |
| 11.2 Unconsolidated  |                           | -                  | -                              | -                  | -                 | -                            | -                  |
| 11.2.1 Financial joint ventures  |                           | -                  | -                              | -                  | -                 | -                            | -                  |
| 11.2.2 Non-financial joint ventures  |                           | -                  | -                              | -                  | -                 | -                            | -                  |
| XII. Lease receivables   | I-i                       | 1.327.249          | 3.678.001                      | 5.005.250          | 1.024.174         | 2.953.198                    | 3.977.372          |
| 12.1 Financial lease receivables   |                           | 1.660.553          | 4.309.742                      | 5.970.295          | 1.257.705         | 3.359.983                    | 4.617.688          |
| 12.2 Operating lease receivables   |                           | -                  | -                              | -                  | -                 | -                            | -                  |
| 12.3 Other   |                           | -                  | -                              | -                  | -                 | -                            | -                  |
| 12.4 Unearned income (-)   |                           | (333.304)          | (631.741)                      | (965.045)          | (233.531)         | (406.785)                    | (640.316)          |
| XIII. Derivative financial assets held for hedging                         | I-j                       | 256.146            | -                              | 256.146            | 462.819           | 4.808                        | 467.627            |
| 13.1 Fair value hedge  |                           | 177.895            | -                              | 177.895            | 307.375           | -                            | 307.375            |
| 13.2 Cash flow hedge   |                           | 78.251             | -                              | 78.251             | 155.444           | 4.808                        | 160.252            |
| 13.3 Foreign net investment hedge  |                           | -                  | -                              | -                  | -                 | -                            | -                  |
| XIV. Property and equipment (net)  | I-k                       | 1.061.686          | 48.101                         | 1.109.787          | 970.323           | 46.218                       | 1.016.541          |
| XV. Intangible assets (net)  | I-l                       | 1.434.819          | 22.547                         | 1.457.366          | 1.380.633         | 12.957                       | 1.393.590          |
| 15.1 Goodwill  |                           | 979.493            | -                              | 979.493            | 979.493           | -                            | 979.493            |
| 15.2 Other   |                           | 455.326            | 22.547                         | 477.873            | 401.140           | 12.957                       | 414.097            |
| XVI. Investment property (net)   | I-m                       | -                  | -                              | -                  | -                 | -                            | -                  |
| XVII. Tax asset  |                           | 163.638            | 8.668                          | 172.306            | 86.010            | 8.235                        | 94.245             |
| 17.1 Current tax asset   |                           | -                  | -                              | 3.272              | 7.407             | 3.746                        | 11.153             |
| 17.2 Deferred tax asset  | I-n                       | 163.638            | 5.396                          | 169.034            | 78.603            | 4.489                        | 83.092             |
| XVIII. Assets held for resale and related to discontinued operations (net) | I-o                       | 154.664            | 821                            | 155.485            | 158.298           | 1.097                        | 159.395            |
| 18.1 Held for sale purposes  |                           | 154.664            | 821                            | 155.485            | 158.298           | 1.097                        | 159.395            |
| 18.2 Related to discontinued operations                                    |                           | -                  | -                              | -                  | -                 | -                            | -                  |
| XIX. Other assets  | I-ö                       | 1.536.347          | 1.092.687                      | 2.629.034          | 1.337.874         | 882.344                      | 2.220.218          |
| <b>Total assets</b>  |                           | <b>116.279.742</b> | <b>78.678.963</b>              | <b>194.958.705</b> | <b>92.197.519</b> | <b>68.112.325</b>            | <b>160.309.844</b> |

The accompanying explanations and notes form an integral part of these consolidated financial statements.

**Yapı ve Kredi Bankası A.Ş.****Consolidated financial statements as of December 31, 2014 and 2013**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**I. Consolidated balance sheet (Statement of Financial Position)**

|   |                           | Current Period<br>(31/12/2014) |                   |                    | Prior Period<br>(31/12/2013) |                   |                    |
|---|---------------------------|--------------------------------|-------------------|--------------------|------------------------------|-------------------|--------------------|
| Liabilities   | Note<br>(Section<br>Five) | TL                             | FC                | Total              | TL                           | FC                | Total              |
| <b>I. Deposits</b>  | <b>II-a</b>               | <b>62.903.994</b>              | <b>44.726.637</b> | <b>107.630.631</b> | <b>44.470.043</b>            | <b>44.011.738</b> | <b>88.481.781</b>  |
| 1.1 Deposits of the Bank's risk group   |                           | 7.450.703                      | 6.474.508         | 13.925.211         | 3.963.042                    | 7.089.348         | 11.052.390         |
| 1.2 Other   |                           | 55.453.291                     | 38.252.129        | 93.705.420         | 40.507.001                   | 36.922.390        | 77.429.391         |
| <b>II. Derivative financial liabilities held for trading</b>  | <b>II-b</b>               | <b>700.537</b>                 | <b>159.789</b>    | <b>860.326</b>     | <b>775.535</b>               | <b>88.098</b>     | <b>863.633</b>     |
| <b>III. Funds borrowed</b>  | <b>II-c</b>               | <b>2.071.547</b>               | <b>19.345.409</b> | <b>21.416.956</b>  | <b>2.049.478</b>             | <b>17.242.089</b> | <b>19.291.567</b>  |
| <b>IV. Money markets</b>  |                           | <b>6.408.838</b>               | <b>2.365.914</b>  | <b>8.774.752</b>   | <b>2.461.502</b>             | <b>3.143.784</b>  | <b>5.605.286</b>   |
| 4.1 Funds from interbank money market   |                           | -                              | -                 | -                  | -                            | -                 | -                  |
| 4.2 Funds from Istanbul stock exchange money market   |                           | 2.572.663                      | -                 | 2.572.663          | 2.211.064                    | -                 | 2.211.064          |
| 4.3 Funds provided under repurchase agreements  |                           | 3.836.175                      | 2.365.914         | 6.202.089          | 250.438                      | 3.143.784         | 3.394.222          |
| <b>V. Marketable securities issued (net)</b>  | <b>II-ç</b>               | <b>3.287.064</b>               | <b>10.068.873</b> | <b>13.355.937</b>  | <b>1.659.777</b>             | <b>6.763.066</b>  | <b>8.422.843</b>   |
| 5.1 Bills   |                           | 1.638.373                      | 1.712.209         | 3.350.582          | 1.165.920                    | 827.050           | 1.992.970          |
| 5.2 Asset backed securities   |                           | -                              | 3.054.498         | 3.054.498          | -                            | 2.576.083         | 2.576.083          |
| 5.3 Bonds   |                           | 1.648.691                      | 5.302.166         | 6.950.857          | 493.857                      | 3.359.933         | 3.853.790          |
| <b>VI. Funds</b>  |                           | -                              | -                 | -                  | -                            | -                 | -                  |
| 6.1 Borrower funds  |                           | -                              | -                 | -                  | -                            | -                 | -                  |
| 6.2 Other   |                           | -                              | -                 | -                  | -                            | -                 | -                  |
| <b>VII. Miscellaneous payables</b>  |                           | <b>7.057.974</b>               | <b>1.680.362</b>  | <b>8.738.336</b>   | <b>5.690.683</b>             | <b>1.577.616</b>  | <b>7.268.299</b>   |
| <b>VIII. Other liabilities</b>  | <b>II-d</b>               | <b>1.374.470</b>               | <b>1.596.330</b>  | <b>2.970.800</b>   | <b>1.158.174</b>             | <b>762.297</b>    | <b>1.920.471</b>   |
| <b>IX. Factoring payables</b>   |                           | -                              | -                 | -                  | -                            | -                 | -                  |
| <b>X. Lease payables</b>  | <b>II-e</b>               | -                              | -                 | -                  | -                            | -                 | -                  |
| 10.1 Financial lease payables   |                           | -                              | -                 | -                  | -                            | -                 | -                  |
| 10.2 Operational lease payables   |                           | -                              | -                 | -                  | -                            | -                 | -                  |
| 10.3 Other  |                           | -                              | -                 | -                  | -                            | -                 | -                  |
| 10.4 Deferred lease expenses (-)  |                           | -                              | -                 | -                  | -                            | -                 | -                  |
| <b>XI. Derivative financial liabilities held for hedging</b>  | <b>II-f</b>               | <b>229.099</b>                 | <b>211.349</b>    | <b>440.448</b>     | <b>30.573</b>                | <b>355.822</b>    | <b>386.395</b>     |
| 11.1 Fair value hedge   |                           | 657                            | -                 | 657                | -                            | -                 | -                  |
| 11.2 Cash flow hedge  |                           | 228.442                        | 211.349           | 439.791            | 30.573                       | 355.822           | 386.395            |
| 11.3 Foreign net investment hedge   |                           | -                              | -                 | -                  | -                            | -                 | -                  |
| <b>XII. Provisions</b>  | <b>II-g</b>               | <b>2.651.981</b>               | <b>707.056</b>    | <b>3.359.037</b>   | <b>2.507.561</b>             | <b>572.442</b>    | <b>3.080.003</b>   |
| 12.1 General loan loss provision  |                           | 1.297.235                      | 630.586           | 1.927.821          | 1.010.544                    | 510.329           | 1.520.873          |
| 12.2 Restructuring provisions   |                           | -                              | -                 | -                  | -                            | -                 | -                  |
| 12.3 Reserve for employee rights  |                           | 261.025                        | 17.019            | 278.044            | 224.456                      | 13.579            | 238.035            |
| 12.4 Insurance technical provisions (net)   |                           | -                              | -                 | -                  | -                            | -                 | -                  |
| 12.5 Other provisions   |                           | 1.093.721                      | 59.451            | 1.153.172          | 1.272.561                    | 48.534            | 1.321.095          |
| <b>XIII. Tax liability</b>  | <b>II-ğ</b>               | <b>420.462</b>                 | <b>6.766</b>      | <b>427.228</b>     | <b>221.065</b>               | <b>2.010</b>      | <b>223.075</b>     |
| 13.1 Current tax liability  |                           | 420.462                        | 4.327             | 424.789            | 221.065                      | 689               | 221.754            |
| 13.2 Deferred tax liability   |                           | -                              | 2.439             | 2.439              | -                            | 1.321             | 1.321              |
| <b>XIV. Liabilities for property and equipment held for sale and related to discontinued operations (net)</b> |                           | -                              | -                 | -                  | -                            | -                 | -                  |
| 14.1 Held for sale  |                           | -                              | -                 | -                  | -                            | -                 | -                  |
| 14.2 Related to discontinued operations   |                           | -                              | -                 | -                  | -                            | -                 | -                  |
| <b>XV. Subordinated loans</b>   | <b>II-h</b>               | -                              | <b>6.770.549</b>  | <b>6.770.549</b>   | -                            | <b>6.480.981</b>  | <b>6.480.981</b>   |
| <b>XVI. Shareholders' equity</b>  | <b>II-ı</b>               | <b>20.178.005</b>              | <b>35.700</b>     | <b>20.213.705</b>  | <b>18.756.080</b>            | <b>(470.570)</b>  | <b>18.285.510</b>  |
| 16.1 Paid-in capital  |                           | 4.347.051                      | -                 | 4.347.051          | 4.347.051                    | -                 | 4.347.051          |
| 16.2 Capital reserves   |                           | 1.582.046                      | 36.194            | 1.618.240          | 845.508                      | (472.863)         | 372.645            |
| 16.2.1 Share premium  |                           | 543.881                        | -                 | 543.881            | 543.881                      | -                 | 543.881            |
| 16.2.2 Share cancellation profits   |                           | -                              | -                 | -                  | -                            | -                 | -                  |
| 16.2.3 Marketable securities valuation differences  |                           | 193.539                        | 197.929           | 391.468            | (241.315)                    | 123.197           | (118.118)          |
| 16.2.4 Property and equipment revaluation differences   |                           | 18.485                         | -                 | 18.485             | -                            | -                 | -                  |
| 16.2.5 Intangible assets revaluation differences  |                           | -                              | -                 | -                  | -                            | -                 | -                  |
| 16.2.6 Revaluation differences of investment property   |                           | -                              | -                 | -                  | -                            | -                 | -                  |
| 16.2.7 Bonus shares from investments in associates, subsidiaries and joint ventures                           |                           | 4.503                          | -                 | 4.503              | 4.503                        | -                 | 4.503              |
| 16.2.8 Hedging funds (effective portion)  |                           | (350.926)                      | (161.735)         | (512.661)          | 239.825                      | (596.060)         | (356.235)          |
| 16.2.9 Value increase in assets held for sale and related to discontinued operations                          |                           | -                              | -                 | -                  | -                            | -                 | -                  |
| 16.2.10 Other capital reserves  |                           | 1.172.564                      | -                 | 1.172.564          | 298.614                      | -                 | 298.614            |
| 16.3 Profit reserves  |                           | 10.808.470                     | (494)             | 10.807.976         | 8.974.058                    | 2.293             | 8.976.351          |
| 16.3.1 Legal reserves   |                           | 641.000                        | -                 | 641.000            | 463.786                      | -                 | 463.786            |
| 16.3.2 Status reserves  |                           | -                              | -                 | -                  | -                            | -                 | -                  |
| 16.3.3 Extraordinary reserves   |                           | 9.815.284                      | -                 | 9.815.284          | 8.051.473                    | -                 | 8.051.473          |
| 16.3.4 Other profit reserves  |                           | 352.186                        | (494)             | 351.692            | 458.799                      | 2.293             | 461.092            |
| 16.4 Income or (loss)   |                           | 3.439.976                      | -                 | 3.439.976          | 4.586.936                    | -                 | 4.586.936          |
| 16.4.1 Prior years' income or (loss)  |                           | 1.383.961                      | -                 | 1.383.961          | 927.984                      | -                 | 927.984            |
| 16.4.2 Current year income or (loss)  |                           | 2.056.015                      | -                 | 2.056.015          | 3.658.952                    | -                 | 3.658.952          |
| 16.5 Minority interest  | <b>II-ı</b>               | 462                            | -                 | 462                | 2.527                        | -                 | 2.527              |
| <b>Total liabilities and shareholders' equity</b>   |                           | <b>107.283.971</b>             | <b>87.674.734</b> | <b>194.958.705</b> | <b>79.780.471</b>            | <b>80.529.373</b> | <b>160.309.844</b> |

The accompanying explanations and notes form an integral part of these consolidated financial statements.

**Yapı ve Kredi Bankası A.Ş.****Consolidated financial statements as of December 31, 2014 and 2013**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**II. Consolidated off-balance sheet commitments**

|   |                           | Current Period<br>(31/12/2014) |                    |                    | Prior Period<br>(31/12/2013) |                    |                    |
|---|---------------------------|--------------------------------|--------------------|--------------------|------------------------------|--------------------|--------------------|
|   | Note<br>(Section<br>Five) | TL                             | FC                 | Total              | TL                           | FC                 | Total              |
| <b>A. Off-balance sheet commitments (I+II+III)</b>                      |                           | <b>118.310.117</b>             | <b>146.577.194</b> | <b>264.887.311</b> | <b>101.237.404</b>           | <b>124.763.142</b> | <b>226.000.546</b> |
| <b>I. Guarantees and warranties</b>                                     | <b>III-a-2,3</b>          | <b>15.983.223</b>              | <b>32.773.616</b>  | <b>48.756.839</b>  | <b>12.898.958</b>            | <b>25.188.958</b>  | <b>38.087.916</b>  |
| 1.1 Letters of guarantee  |                           | 15.913.418                     | 22.081.794         | 37.995.212         | 12.818.400                   | 14.828.899         | 27.647.299         |
| 1.1.1 Guarantees subject to state tender law                            |                           | 503.713                        | 716.911            | 1.220.624          | 482.038                      | 657.448            | 1.139.486          |
| 1.1.2 Guarantees given for foreign trade operations                     |                           | 2.316.159                      | 21.151.474         | 23.467.633         | 1.521.868                    | 13.927.101         | 15.448.969         |
| 1.1.3 Other letters of guarantee  |                           | 13.093.546                     | 213.409            | 13.306.955         | 10.814.494                   | 244.350            | 11.058.844         |
| 1.2 Bank acceptances  |                           | -                              | 126.982            | 126.982            | -                            | 118.686            | 118.686            |
| 1.2.1 Import letter of acceptance                                       |                           | -                              | 126.982            | 126.982            | -                            | 118.686            | 118.686            |
| 1.2.2 Other bank acceptances  |                           | -                              | -                  | -                  | -                            | -                  | -                  |
| 1.3 Letters of credit   | 3                         | 7.859.830                      | 7.859.833          | 1.208              | 6.709.273                    | 6.710.481          |                    |
| 1.3.1 Documentary letters of credit                                     | 3                         | 7.859.528                      | 7.859.531          | 1.208              | 6.698.180                    | 6.699.388          |                    |
| 1.3.2 Other letters of credit   |                           | -                              | 302                | 302                | -                            | 11.093             | 11.093             |
| 1.4 Prefinancing given as guarantee                                     |                           | -                              | -                  | -                  | -                            | -                  | -                  |
| 1.5 Endorsements  |                           | -                              | -                  | -                  | -                            | -                  | -                  |
| 1.5.1 Endorsements to the Central Bank of the Republic of Turkey        |                           | -                              | -                  | -                  | -                            | -                  | -                  |
| 1.5.2 Other endorsements  |                           | -                              | -                  | -                  | -                            | -                  | -                  |
| 1.6 Securities issue purchase guarantees                                |                           | -                              | -                  | -                  | -                            | -                  | -                  |
| 1.7 Factoring guarantees  |                           | -                              | -                  | -                  | -                            | -                  | -                  |
| 1.8 Other guarantees  | 69.802                    | 788.994                        | 858.796            | 79.350             | 2.016.957                    | 2.096.307          |                    |
| 1.9 Other warranties  |                           | -                              | 1.916.016          | 1.916.016          | -                            | 1.515.143          | 1.515.143          |
| <b>II. Commitments</b>  | <b>III-a-1</b>            | <b>42.919.920</b>              | <b>3.749.599</b>   | <b>46.669.519</b>  | <b>37.495.938</b>            | <b>7.755.077</b>   | <b>45.281.015</b>  |
| 2.1 Irrevocable commitments   |                           | 42.919.920                     | 3.503.210          | 46.423.130         | 37.495.938                   | 7.552.103          | 45.048.041         |
| 2.1.1 Asset purchase and sale commitments                               |                           | 937.272                        | 2.205.515          | 3.142.787          | 1.816.025                    | 6.966.286          | 8.782.311          |
| 2.1.2 Deposit purchase and sales commitments                            |                           | -                              | 8                  | 8                  | -                            | 9                  | 9                  |
| 2.1.3 Share capital commitments to associates and subsidiaries          |                           | -                              | -                  | -                  | -                            | -                  | -                  |
| 2.1.4 Loan granting commitments   |                           | 6.945.817                      | 1.179.842          | 8.125.659          | 5.884.104                    | 510.050            | 6.394.154          |
| 2.1.5 Securities issue brokerage commitments                            |                           | -                              | -                  | -                  | -                            | -                  | -                  |
| 2.1.6 Commitments for reserve deposit requirements                      |                           | -                              | -                  | -                  | -                            | -                  | -                  |
| 2.1.7 Commitments for cheques   | 5.981.382                 | -                              | -                  | 5.981.382          | 5.385.711                    | -                  | 5.385.711          |
| 2.1.8 Tax and fund liabilities from export commitments                  | 44.489                    | -                              | -                  | 44.489             | 41.007                       | -                  | 41.007             |
| 2.1.9 Commitments for credit card limits                                | 25.612.776                | -                              | -                  | 25.612.776         | 21.610.762                   | -                  | 21.610.762         |
| 2.1.10 Commitments for credit cards and banking services promotions     | 11.149                    | -                              | -                  | 11.149             | 7.365                        | -                  | 7.365              |
| 2.1.11 Receivables from short sale commitments of marketable securities | -                         | -                              | -                  | -                  | -                            | -                  | -                  |
| 2.1.12 Payables for short sale commitments of marketable securities     | -                         | -                              | -                  | -                  | -                            | -                  | -                  |
| 2.1.13 Other irrevocable commitments                                    | 3.387.035                 | 117.845                        | 3.504.880          | 2.750.964          | 75.758                       | 2.826.722          |                    |
| 2.2 Revocable commitments   | -                         | 246.389                        | 246.389            | -                  | 232.974                      | 232.974            |                    |
| 2.2.1 Revocable loan granting commitments                               | -                         | 149.837                        | 149.837            | -                  | 167.212                      | 167.212            |                    |
| 2.2.2 Other revocable commitments                                       | -                         | 96.552                         | 96.552             | -                  | 65.762                       | 65.762             |                    |
| <b>III. Derivative financial instruments</b>                            | <b>III-b-c</b>            | <b>59.406.974</b>              | <b>110.053.979</b> | <b>169.460.953</b> | <b>50.842.508</b>            | <b>91.789.107</b>  | <b>142.631.615</b> |
| 3.1 Derivative financial instruments for hedging purposes               |                           | 19.811.674                     | 22.135.823         | 41.947.497         | 12.176.363                   | 25.452.330         | 37.628.693         |
| 3.1.1 Transactions for fair value hedge                                 |                           | 481.084                        | 699.338            | 1.180.422          | 1.104.763                    | 1.506.212          | 2.610.975          |
| 3.1.2 Transactions for cash flow hedge                                  |                           | 19.330.590                     | 21.436.485         | 40.767.075         | 11.071.600                   | 23.946.118         | 35.017.718         |
| 3.1.3 Transactions for foreign net investment hedge                     |                           | -                              | -                  | -                  | -                            | -                  | -                  |
| 3.2 Trading transactions  |                           | 39.595.300                     | 87.918.156         | 127.513.456        | 38.666.145                   | 66.336.777         | 105.002.922        |
| 3.2.1 Forward foreign currency buy/sell transactions                    |                           | 2.539.384                      | 4.580.613          | 7.119.997          | 3.876.427                    | 5.587.189          | 9.463.616          |
| 3.2.1.1 Forward foreign currency transactions-buy                       |                           | 939.495                        | 2.537.700          | 3.477.195          | 1.106.191                    | 4.008.168          | 5.114.359          |
| 3.2.1.2 Forward foreign currency transactions-sell                      |                           | 1.599.889                      | 2.042.913          | 3.642.802          | 2.770.236                    | 1.579.021          | 4.349.257          |
| 3.2.2 Swap transactions related to foreign currency and interest rates  |                           | 29.413.079                     | 65.051.539         | 94.464.618         | 27.448.282                   | 48.100.440         | 75.548.722         |
| 3.2.2.1 Foreign currency swap-buy                                       |                           | 12.706.918                     | 26.816.209         | 39.523.127         | 11.841.762                   | 20.657.942         | 32.499.704         |
| 3.2.2.2 Foreign currency swap-sell                                      |                           | 16.706.161                     | 22.276.088         | 38.982.249         | 15.606.520                   | 16.876.174         | 32.482.694         |
| 3.2.2.3 Interest rate swap-buy  |                           | -                              | 7.979.621          | 7.979.621          | -                            | 5.283.162          | 5.283.162          |
| 3.2.2.4 Interest rate swap-sell   |                           | -                              | 7.979.621          | 7.979.621          | -                            | 5.283.162          | 5.283.162          |
| 3.2.3 Foreign currency, interest rate and securities options            |                           | 3.925.651                      | 12.727.219         | 16.652.870         | 6.483.436                    | 12.273.834         | 18.757.270         |
| 3.2.3.1 Foreign currency options-buy                                    |                           | 1.777.316                      | 2.931.949          | 4.709.265          | 2.028.284                    | 4.303.805          | 6.332.089          |
| 3.2.3.2 Foreign currency options-sell                                   |                           | 2.081.110                      | 2.701.972          | 4.783.082          | 3.064.188                    | 3.250.977          | 6.315.165          |
| 3.2.3.3 Interest rate options-buy                                       |                           | -                              | 3.546.649          | 3.546.649          | 70.800                       | 2.359.526          | 2.430.326          |
| 3.2.3.4 Interest rate options-sell                                      |                           | -                              | 3.546.649          | 3.546.649          | 70.800                       | 2.359.526          | 2.430.326          |
| 3.2.3.5 Securities options-buy  |                           | 55.500                         | -                  | 55.500             | 820.104                      | -                  | 820.104            |
| 3.2.3.6 Securities options-sell   |                           | 11.725                         | -                  | 11.725             | 429.260                      | -                  | 429.260            |
| 3.2.4 Foreign currency futures  |                           | -                              | -                  | -                  | -                            | -                  | -                  |
| 3.2.4.1 Foreign currency futures-buy                                    |                           | -                              | -                  | -                  | -                            | -                  | -                  |
| 3.2.4.2 Foreign currency futures-sell                                   |                           | -                              | -                  | -                  | -                            | -                  | -                  |
| 3.2.5 Interest rate futures   |                           | -                              | -                  | -                  | -                            | -                  | -                  |
| 3.2.5.1 Interest rate futures-buy                                       |                           | -                              | -                  | -                  | -                            | -                  | -                  |
| 3.2.5.2 Interest rate futures-sell                                      |                           | -                              | -                  | -                  | -                            | -                  | -                  |
| 3.2.6 Other   |                           | 3.717.186                      | 5.558.785          | 9.275.971          | 858.000                      | 375.314            | 1.233.314          |
| <b>B. Custody and pledges received (IV+V+VI)</b>                        |                           | <b>181.534.531</b>             | <b>40.764.950</b>  | <b>222.299.481</b> | <b>138.707.195</b>           | <b>34.562.522</b>  | <b>173.269.717</b> |
| <b>IV. Items held in custody</b>  |                           | <b>67.599.128</b>              | <b>6.496.883</b>   | <b>74.096.011</b>  | <b>61.314.014</b>            | <b>5.884.148</b>   | <b>67.198.162</b>  |
| 4.1 Customer fund and portfolio balances                                |                           | -                              | -                  | -                  | -                            | 12                 | 12                 |
| 4.2 Investment securities held in custody                               |                           | 50.443.151                     | 5.602.765          | 56.045.916         | 48.922.433                   | 5.160.024          | 54.082.457         |
| 4.3 Checks received for collection                                      |                           | 14.227.339                     | 165.338            | 14.392.677         | 9.765.253                    | 139.746            | 9.904.999          |
| 4.4 Commercial notes received for collection                            |                           | 2.886.863                      | 693.890            | 3.580.753          | 2.618.553                    | 553.829            | 3.172.382          |
| 4.5 Other assets received for collection                                |                           | -                              | 29.819             | 29.819             | -                            | 30.537             | 30.537             |
| 4.6 Assets received for public offering                                 |                           | -                              | -                  | -                  | -                            | -                  | -                  |
| 4.7 Other items under custody   |                           | 41.775                         | 5.071              | 46.846             | 7.775                        | -                  | 7.775              |
| 4.8 Custodians  |                           | -                              | -                  | -                  | -                            | -                  | -                  |
| <b>V. Pledges received</b>  |                           | <b>112.458.919</b>             | <b>32.656.709</b>  | <b>145.115.628</b> | <b>76.079.903</b>            | <b>27.193.253</b>  | <b>103.273.156</b> |
| 5.1 Marketable securities   |                           | 179.123                        | 257                | 179.380            | 204.521                      | 237                | 204.758            |
| 5.2 Guarantee notes   |                           | 841.979                        | 275.888            | 1.117.867          | 681.445                      | 439.491            | 1.120.936          |
| 5.3 Commodity   |                           | 28.446                         | 5.895              | 34.341             | 22.983                       | 7.336              | 30.319             |
| 5.4 Warrants  |                           | -                              | -                  | -                  | -                            | -                  | -                  |
| 5.5 Properties  |                           | 69.897.086                     | 24.504.811         | 94.401.897         | 52.696.177                   | 19.792.832         | 72.489.009         |
| 5.6 Other pledged items   |                           | 41.512.285                     | 7.865.672          | 49.377.957         | 22.474.777                   | 6.949.452          | 29.424.229         |
| 5.7 Pledged items-depository  |                           | -                              | 4.186              | 4.186              | -                            | 3.905              | 3.905              |
| <b>VI. Accepted independent guarantees and warranties</b>               |                           | <b>1.476.484</b>               | <b>1.611.358</b>   | <b>3.087.842</b>   | <b>1.313.278</b>             | <b>1.485.121</b>   | <b>2.798.399</b>   |
| <b>Total off-balance sheet commitments (A+B)</b>                        |                           | <b>299.844.648</b>             | <b>187.342.144</b> | <b>487.186.792</b> | <b>239.944.599</b>           | <b>159.325.664</b> | <b>399.270.263</b> |

The accompanying explanations and notes form an integral part of these consolidated financial statements.



## Yapı ve Kredi Bankası A.Ş.

## Consolidated financial statements as of December 31, 2014 and 2013

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

## III. Consolidated income statement

| Income and expense items |   | Note<br>(Section<br>Five) | Current Period<br>(01/01-<br>31/12/2014) | Restated<br>Prior Period<br>(01/01-<br>31/12/2013) |
|--------------------------|---|---------------------------|--|--|
| I.                       | Interest income   | IV-a                      | 12.633.965                               | 9.952.563  |
| 1.1                      | Interest on loans   | IV-a-1                    | 9.913.741                                | 7.776.582  |
| 1.2                      | Interest received from reserve deposits                                 |                           | 732                                      | 118  |
| 1.3                      | Interest received from banks  | IV-a-2                    | 122.951                                  | 106.288  |
| 1.4                      | Interest received from money market transactions                        |                           | 241.310                                  | 123.056  |
| 1.5                      | Interest received from marketable securities portfolio                  | IV-a-3                    | 1.861.164                                | 1.539.839  |
| 1.5.1                    | Trading financial assets  |                           | 3.378                                    | 11.146   |
| 1.5.2                    | Financial assets at fair value through profit or (loss)                 |                           | -  | -  |
| 1.5.3                    | Available-for-sale financial assets                                     |                           | 1.418.768                                | 1.104.052  |
| 1.5.4                    | Held to maturity investments  |                           | 439.018                                  | 424.641  |
| 1.6                      | Financial lease income  |                           | 334.268                                  | 284.050  |
| 1.7                      | Other interest income   |                           | 159.799                                  | 122.630  |
| II.                      | Interest expense  | IV-b                      | (6.660.665)                              | (4.886.128)  |
| 2.1                      | Interest on deposits  | IV-b-4                    | (4.773.287)                              | (3.557.677)  |
| 2.2                      | Interest on funds borrowed  | IV-b-1                    | (851.007)                                | (778.265)  |
| 2.3                      | Interest expense on money market transactions                           |                           | (503.351)                                | (263.274)  |
| 2.4                      | Interest on securities issued   | IV-b-3                    | (513.882)                                | (270.222)  |
| 2.5                      | Other interest expenses   |                           | (19.138)                                 | (16.690)   |
| III.                     | Net interest income (I + II)  |                           | 5.973.300                                | 5.066.435  |
| IV.                      | Net fees and commissions income   |                           | 2.343.015                                | 2.136.188  |
| 4.1                      | Fees and commissions received   |                           | 2.960.372                                | 2.548.931  |
| 4.1.1                    | Non-cash loans  |                           | 324.669                                  | 282.175  |
| 4.1.2                    | Other   | IV-j                      | 2.635.703                                | 2.266.756  |
| 4.2                      | Fees and commissions paid   |                           | (617.357)                                | (412.743)  |
| 4.2.1                    | Non-cash loans  |                           | (10.968)                                 | (10.184)   |
| 4.2.2                    | Other   |                           | (606.389)                                | (402.559)  |
| V.                       | Dividend income   | IV-c                      | 9.351                                    | 15.243   |
| VI.                      | Trading gain/(loss) (net)   | IV-ç                      | (236.654)                                | 387.726  |
| 6.1                      | Trading gains/(losses) on securities                                    |                           | 278.801                                  | 571.819  |
| 6.2                      | Derivative financial transactions gains/(losses)                        | IV-d                      | (1.279.245)                              | 1.612.067  |
| 6.3                      | Foreign exchange gains/(losses)   |                           | 763.790                                  | (1.796.160)  |
| VII.                     | Other operating income  | IV-e                      | 621.734                                  | 445.166  |
| VIII.                    | Total operating income / loss (III+IV+V+VI+VII)                         |                           | 8.710.746                                | 8.050.758  |
| IX.                      | Provision for impairment of loans and other receivables (-)             | IV-f                      | (1.938.729)                              | (1.552.121)  |
| X.                       | Other operating expenses (-)  | IV-g                      | (4.146.281)                              | (3.543.346)  |
| XI.                      | Net operating income/(loss) (VIII-IX-X)                                 |                           | 2.625.736                                | 2.955.291  |
| XII.                     | Excess amount recorded as income after merger                           |                           | -  | -  |
| XIII.                    | Income/(loss) from investments accounted based on equity method         |                           | 42.842                                   | 7.688  |
| XIV.                     | Income/(loss) on net monetary position                                  |                           | -  | -  |
| XV.                      | Profit/(loss) before taxes from continuing operations (XI+XII+XIII+XIV) | IV-ğ                      | 2.668.578                                | 2.962.979  |
| XVI.                     | Tax provision for continuing operations (±)                             | IV-h                      | (612.396)                                | (629.802)  |
| 16.1                     | Current tax provision   |                           | (784.504)                                | (223.229)  |
| 16.2                     | Deferred tax provision  |                           | 172.108                                  | (406.573)  |
| XVII.                    | Net profit/loss from continuing operations (XV±XVI)                     |                           | 2.056.182                                | 2.333.177  |
| XVIII.                   | Income from discontinued operations                                     |                           | -  | 1.581.831  |
| 18.1                     | Income from non-current assets held for resale                          |                           | -  | 237.009  |
| 18.2                     | Profit from sales of associates, subsidiaries and joint ventures        |                           | -  | 1.344.822  |
| 18.3                     | Other income from discontinued operations                               |                           | -  | -  |
| XIX.                     | Expenses from discontinued operations (-)                               |                           | -  | (174.034)  |
| 19.1                     | Expenses for non-current assets held for resale                         |                           | -  | (174.034)  |
| 19.2                     | Loss from sales of associates, subsidiaries and joint ventures          |                           | -  | -  |
| 19.3                     | Other expenses from discontinued operations                             |                           | -  | -  |
| XX.                      | Profit /losses before taxes from discontinued operations (XVIII-XIX)    | IV-ğ                      | -  | 1.407.797  |
| XXI.                     | Tax provision for discontinued operations (±)                           | IV-h                      | -  | (81.785)   |
| 21.1                     | Current tax provision   |                           | -  | (81.785)   |
| 21.2                     | Deferred tax provision  |                           | -  | -  |
| XXII.                    | Net profit/loss from discontinued operations (XX±XXI)                   |                           | -  | 1.326.012  |
| XXIII.                   | Net profit/loss (XVII+XXII)   | IV-ı                      | 2.056.182                                | 3.659.189  |
| 23.1                     | Group's profit/loss   |                           | 2.056.015                                | 3.658.952  |
| 23.2                     | Minority interest profit/losses (-)                                     | IV-i                      | 167                                      | 237  |
|                          | Earnings/(loss) per share (in TL full)                                  |                           | 0,0047                                   | 0,0084   |

The accompanying explanations and notes form an integral part of these consolidated financial statements.

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of December 31, 2014 and 2013

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**IV. Consolidated statement of income and expense items accounted under shareholders' equity**

|  | Current Period<br>(31/12/2014) | Prior Period<br>(31/12/2013) |
|--|--------------------------------|------------------------------|
| <b>Income and expense items accounted under shareholders' equity</b>   |                                |                              |
| I. Transfers to marketable securities valuation differences from financial assets available for sale             | 626.802                        | (2.289.674)                  |
| II. Property and equipment revaluation differences   | 18.485                         | -                            |
| III. Intangible assets revaluation differences   | -                              | -                            |
| IV. Currency translation differences for foreign currency transactions   | (101.956)                      | 411.320                      |
| V. Profit/loss on cash flow hedges (effective part of the fair value changes)                                    | (208.019)                      | 661.738                      |
| VI. Profit/loss on foreign net investment hedges(effective part of the fair value changes)                       | 31.833                         | (180.485)                    |
| VII. Effects of changes in accounting policy and adjustment of errors  | -                              | -                            |
| VIII. Other income and expense items accounted under shareholders' equity according to TAS                       | (20.813)                       | 25.201                       |
| IX. Deferred tax on valuation differences  | (84.087)                       | 320.866                      |
| X. Net profit or loss accounted directly under shareholders' equity (I+II+...+IX)                                | 262.245                        | (1.051.034)                  |
| XI. Current year profit/loss   | 2.056.182                      | 3.659.189                    |
| 11.1 Net change in fair value of marketable securities (recycled to profit-loss)                                 | 154.765                        | 449.939                      |
| 11.2 Part of cash flow hedge derivative financial instruments reclassified and presented on the income statement | (158.005)                      | (247.017)                    |
| 11.3 Part of foreign net investment hedges reclassified and presented on the income statement                    | -                              | -                            |
| 11.4 Other   | 2.059.422                      | 3.456.267                    |
| <b>XII. Total income/loss accounted for the period (X+XI)</b>  | <b>2.318.427</b>               | <b>2.608.155</b>             |

The accompanying explanations and notes form an integral part of these consolidated financial statements.

Yapı ve Kredi Bankası A.Ş.

Consolidated statement of changes in shareholders' equity as of December 31, 2013

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

V. Consolidated statement of changes in shareholders' equity

| Prior Period   |  |                     |                 |                             |               |                            |                               |                 |                                       |                |                                   |  |  |   | Property and equipment and intangible assets revaluation fund | Bonus shares from investments | Hedging funds | Asset held for resale/ discontinued operations revaluation fund | Total equity except minority interest | Minority Interest | Total shareholders' equity |
|--|--|---------------------|-----------------|-----------------------------|---------------|----------------------------|-------------------------------|-----------------|---------------------------------------|----------------|-----------------------------------|--|--|---|---|-------------------------------|---------------|---|---------------------------------------|-------------------|----------------------------|
|  |  | Note (Section Five) | Paid-in capital | Adjustment to share capital | Share premium | Share cancellation profits | Legal reserves <sup>(1)</sup> | Status reserves | Extraordinary reserves <sup>(1)</sup> | Other reserves | Current period net income/ (loss) | Prior period net income/ (loss) <sup>(1)</sup> | Marketable securities valuation difference |   |   |                               |               |   |                                       |                   |                            |
| December 31, 2013                                    |  |                     |                 |                             |               |                            |                               |                 |                                       |                |                                   |  |  |   |   |                               |               |   |                                       |                   |                            |
| I.   | Period opening balance   |                     | 4.347.051       | -                           | 543.881       | -                          | 359.847                       | -               | 6.546.849                             | 505.721        | 2.087.673                         | 753.844  | 1.487.423                                  | - | -   | (657.543)                     | -             | 15.974.746  | 64.792                                | 16.039.538        |                            |
| II.  | Changes in accounting policies according to TAS 8                            |                     | -               | -                           | -             | -                          | -                             | -               | -                                     | -              | -                                 | -  | -  | - | -   | -                             | -             | -   | -                                     | -                 |                            |
| 2.1  | Effects of errors  |                     | -               | -                           | -             | -                          | -                             | -               | -                                     | -              | -                                 | -  | -  | - | -   | -                             | -             | -   | -                                     | -                 |                            |
| 2.2  | Effects of the changes in accounting policies                                |                     | -               | -                           | -             | -                          | -                             | -               | -                                     | -              | -                                 | -  | -  | - | -   | -                             | -             | -   | -                                     | -                 |                            |
| III.   | New balance (I+II)   |                     | 4.347.051       | -                           | 543.881       | -                          | 359.847                       | -               | 6.546.849                             | 505.721        | 2.087.673                         | 753.844  | 1.487.423                                  | - | -   | (657.543)                     | -             | 15.974.746  | 64.792                                | 16.039.538        |                            |
|  | Changes in the period  |                     | -               | -                           | -             | -                          | -                             | -               | -                                     | -              | -                                 | -  | -  | - | -   | -                             | -             | -   | -                                     | -                 |                            |
| IV.  | Increase/decrease due to the merger  |                     | -               | -                           | -             | -                          | -                             | -               | -                                     | -              | -                                 | -  | -  | - | -   | -                             | -             | -   | -                                     | -                 |                            |
| V.   | Marketable securities valuation differences                                  |                     | -               | -                           | -             | -                          | -                             | -               | -                                     | -              | -                                 | -  | (1.832.122)                                | - | -   | -                             | -             | (1.832.122)   | (380)                                 | (1.832.502)       |                            |
| VI.  | Hedging transactions funds (effective portion)                               |                     | -               | -                           | -             | -                          | -                             | -               | -                                     | -              | -                                 | -  | -  | - | -   | 385.003                       | -             | 385.003   | -                                     | 385.003           |                            |
| 6.1  | Cash flow hedge  |                     | -               | -                           | -             | -                          | -                             | -               | -                                     | -              | -                                 | -  | -  | - | -   | 529.391                       | -             | 529.391   | -                                     | 529.391           |                            |
| 6.2  | Foreign net investment hedge   |                     | -               | -                           | -             | -                          | -                             | -               | -                                     | -              | -                                 | -  | -  | - | -   | (144.388)                     | -             | (144.388)   | -                                     | (144.388)         |                            |
| VII.   | Property and equipment revaluation differences                               |                     | -               | -                           | -             | -                          | -                             | -               | -                                     | -              | -                                 | -  | -  | - | -   | -                             | -             | -   | -                                     | -                 |                            |
| VIII.  | Intangible assets revaluation differences                                    |                     | -               | -                           | -             | -                          | -                             | -               | -                                     | -              | -                                 | -  | -  | - | -   | -                             | -             | -   | -                                     | -                 |                            |
| IX.  | Bonus shares from investments in associates, subsidiaries and joint ventures |                     | -               | -                           | -             | -                          | -                             | -               | -                                     | -              | -                                 | -  | -  | - | 4.503   | -                             | -             | 4.503   | -                                     | 4.503             |                            |
| X.   | Foreign exchange differences   |                     | -               | -                           | -             | -                          | -                             | -               | -                                     | 232.495        | -                                 | -  | 226.581                                    | - | -   | (83.695)                      | -             | 375.381   | -                                     | 375.381           |                            |
| XI.  | Changes due to the disposal of assets  |                     | -               | -                           | -             | -                          | -                             | -               | -                                     | -              | -                                 | -  | -  | - | -   | -                             | -             | -   | (28.092)                              | (28.092)          |                            |
| XII.   | Changes due to the reclassification of assets                                |                     | -               | -                           | -             | -                          | -                             | -               | -                                     | -              | -                                 | -  | -  | - | -   | -                             | -             | -   | -                                     | -                 |                            |
| XIII.  | Effect of the changes in equity of investment in associates                  |                     | -               | -                           | -             | -                          | -                             | -               | -                                     | -              | -                                 | -  | -  | - | -   | -                             | -             | -   | -                                     | -                 |                            |
| XIV.   | Capital increase   |                     | -               | -                           | -             | -                          | -                             | -               | -                                     | -              | -                                 | -  | -  | - | -   | -                             | -             | -   | -                                     | -                 |                            |
| 14.1   | Cash increase  |                     | -               | -                           | -             | -                          | -                             | -               | -                                     | -              | -                                 | -  | -  | - | -   | -                             | -             | -   | -                                     | -                 |                            |
| 14.2   | Internal resources   |                     | -               | -                           | -             | -                          | -                             | -               | -                                     | -              | -                                 | -  | -  | - | -   | -                             | -             | -   | -                                     | -                 |                            |
| XV.  | Share premium  |                     | -               | -                           | -             | -                          | -                             | -               | -                                     | -              | -                                 | -  | -  | - | -   | -                             | -             | -   | -                                     | -                 |                            |
| XVI.   | Share cancellation profits   |                     | -               | -                           | -             | -                          | -                             | -               | -                                     | -              | -                                 | -  | -  | - | -   | -                             | -             | -   | -                                     | -                 |                            |
| XVII.  | Paid in-capital inflation adjustment difference                              |                     | -               | -                           | -             | -                          | -                             | -               | -                                     | -              | -                                 | -  | -  | - | -   | -                             | -             | -   | -                                     | -                 |                            |
| XVIII.   | Other  |                     | -               | -                           | -             | -                          | -                             | -               | -                                     | 16.581         | -                                 | -  | -  | - | -   | -                             | -             | 16.581  | -                                     | 16.581            |                            |
| XIX.   | Current year income or loss  |                     | -               | -                           | -             | -                          | -                             | -               | -                                     | -              | 3.658.952                         | -  | -  | - | -   | -                             | -             | 3.658.952   | 237                                   | 3.659.189         |                            |
| XX.  | Profit distribution  |                     | -               | -                           | -             | -                          | 103.939                       | -               | 1.504.624                             | 4.909          | (2.087.673)                       | 174.201  | -  | - | -   | -                             | -             | (300.000)   | (678)                                 | (300.678)         |                            |
| 20.1   | Dividend paid  |                     | -               | -                           | -             | -                          | -                             | -               | -                                     | -              | -                                 | (300.000)                                      | -  | - | -   | -                             | -             | (300.000)   | (678)                                 | (300.678)         |                            |
| 20.2   | Transfers to reserves  |                     | -               | -                           | -             | -                          | 103.939                       | -               | 1.504.624                             | 4.909          | (2.087.673)                       | 474.201  | -  | - | -   | -                             | -             | -   | -                                     | -                 |                            |
| 20.3   | Other  |                     | -               | -                           | -             | -                          | -                             | -               | -                                     | -              | -                                 | -  | -  | - | -   | -                             | -             | -   | -                                     | -                 |                            |
| XXI.   | Transactions with minority   |                     | -               | -                           | -             | -                          | -                             | -               | -                                     | -              | -                                 | (61)   | -  | - | -   | -                             | -             | (61)  | (33.352)                              | (33.413)          |                            |
| Period end balance (III+IV+V+.....+VIII+XIX+XX+ XXI) |  |                     | 4.347.051       | -                           | 543.881       | -                          | 463.786                       | -               | 8.051.473                             | 759.706        | 3.658.952                         | 927.984  | (118.118)                                  | - | 4.503   | (356.235)                     | -             | 18.282.983  | 2.527                                 | 18.285.510        |                            |

(1) Total legal reserves and extraordinary reserves of the consolidated entities except Parent Bank's legal reserves and extraordinary reserves have been presented under prior period net income/ (loss).

The accompanying explanations and notes form an integral part of these consolidated financial statements.

## Yapı ve Kredi Bankası A.Ş.

## Consolidated statement of changes in shareholders' equity as of December 31, 2014

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

## V. Consolidated statement of changes in shareholders' equity

| Current Period                                     |  |                           |                    |                                   |                  |                                  |                                  |                    |  |                   |  |   |   |   |                                     |                  |  |  |                      |                                  |
|--|--|---------------------------|--------------------|-----------------------------------|------------------|----------------------------------|----------------------------------|--------------------|--|-------------------|--|---|---|---|-------------------------------------|------------------|--|--|----------------------|----------------------------------|
|  |  | Note<br>(Section<br>Five) | Paid-in<br>capital | Adjustment<br>to share<br>capital | Share<br>premium | Share<br>cancellation<br>profits | Legal<br>reserves <sup>(1)</sup> | Status<br>reserves | Extraordinary<br>reserves <sup>(1)</sup> | Other<br>reserves | Current<br>period net<br>income/<br>(loss) | Prior<br>period net<br>income/<br>(loss) <sup>(1)</sup> | Marketable<br>securities<br>valuation<br>difference | Property and<br>equipment<br>and<br>intangible<br>assets<br>revaluation<br>fund | Bonus shares<br>from<br>investments | Hedging<br>funds | Asset held<br>for resale/<br>discontinued<br>operations<br>revaluation<br>fund | Total equity<br>except<br>minority<br>interest | Minority<br>Interest | Total<br>shareholders'<br>equity |
| December 31, 2014                                  |  |                           |                    |                                   |                  |                                  |                                  |                    |  |                   |  |   |   |   |                                     |                  |  |  |                      |                                  |
| I.   | Prior period-end balance   |                           | 4.347.051          | -                                 | 543.881          | -                                | 463.786                          | -                  | 8.051.473                                | 759.706           | 3.658.952                                  | 927.984   | (118.118)   | -   | 4.503                               | (356.235)        | -  | 18.282.983                                     | 2.527                | 18.285.510                       |
|  | Changes in the period  |                           | -                  | -                                 | -                | -                                | -                                | -                  | -  | -                 | -  | -   | -   | -   | -                                   | -                | -  | -  | -                    | -                                |
| II.  | Increase/decrease due to the merger  |                           | -                  | -                                 | -                | -                                | -                                | -                  | -  | -                 | -  | -   | -   | -   | -                                   | -                | -  | -  | -                    | -                                |
| III.   | Marketable securities valuation differences                                  |                           | -                  | -                                 | -                | -                                | -                                | -                  | -  | -                 | -  | -   | 501.407   | -   | -                                   | -                | -  | 501.407  | -                    | 501.407                          |
| IV.  | Hedging transactions funds (effective portion)                               |                           | -                  | -                                 | -                | -                                | -                                | -                  | -  | -                 | -  | -   | -   | -   | -                                   | (140.950)        | -  | (140.950)                                      | -                    | (140.950)                        |
| 4.1  | Cash flow hedge  |                           | -                  | -                                 | -                | -                                | -                                | -                  | -  | -                 | -  | -   | -   | -   | -                                   | (166.416)        | -  | (166.416)                                      | -                    | (166.416)                        |
| 4.2  | Foreign net investment hedge   |                           | -                  | -                                 | -                | -                                | -                                | -                  | -  | -                 | -  | -   | -   | -   | -                                   | 25.466           | -  | 25.466   | -                    | 25.466                           |
| V.   | Property and equipment revaluation differences                               |                           | -                  | -                                 | -                | -                                | -                                | -                  | -  | -                 | -  | -   | -   | 18.485  | -                                   | -                | -  | 18.485   | -                    | 18.485                           |
| VI.  | Intangible assets revaluation differences                                    |                           | -                  | -                                 | -                | -                                | -                                | -                  | -  | -                 | -  | -   | -   | -   | -                                   | -                | -  | -  | -                    | -                                |
| VII.   | Bonus shares from investments in associates, subsidiaries and joint ventures |                           | -                  | -                                 | -                | -                                | -                                | -                  | -  | -                 | -  | -   | -   | -   | -                                   | -                | -  | -  | -                    | -                                |
| VIII.  | Foreign exchange differences   |                           | -                  | -                                 | -                | -                                | -                                | -                  | -  | (92.835)          | -  | -   | 8.179   | -   | -                                   | (15.476)         | -  | (100.132)                                      | -                    | (100.132)                        |
| IX.  | Changes due to the disposal of assets  |                           | -                  | -                                 | -                | -                                | -                                | -                  | -  | -                 | -  | -   | -   | -   | -                                   | -                | -  | -  | -                    | -                                |
| X.   | Changes due to the reclassification of assets                                |                           | -                  | -                                 | -                | -                                | -                                | -                  | -  | -                 | -  | -   | -   | -   | -                                   | -                | -  | -  | -                    | -                                |
| XI.  | Effect of the changes in equity of investment in associates                  |                           | -                  | -                                 | -                | -                                | -                                | -                  | -  | -                 | -  | -   | -   | -   | -                                   | -                | -  | -  | -                    | -                                |
| XII.   | Capital increase   |                           | -                  | -                                 | -                | -                                | -                                | -                  | -  | -                 | -  | -   | -   | -   | -                                   | -                | -  | -  | -                    | -                                |
| 12.1   | Cash increase  |                           | -                  | -                                 | -                | -                                | -                                | -                  | -  | -                 | -  | -   | -   | -   | -                                   | -                | -  | -  | -                    | -                                |
| 12.2   | Internal resources   |                           | -                  | -                                 | -                | -                                | -                                | -                  | -  | -                 | -  | -   | -   | -   | -                                   | -                | -  | -  | -                    | -                                |
| XIII.  | Share premium  |                           | -                  | -                                 | -                | -                                | -                                | -                  | -  | -                 | -  | -   | -   | -   | -                                   | -                | -  | -  | -                    | -                                |
| XIV.   | Share cancellation profits   |                           | -                  | -                                 | -                | -                                | -                                | -                  | -  | -                 | -  | -   | -   | -   | -                                   | -                | -  | -  | -                    | -                                |
| XV.  | Paid in-capital inflation adjustment difference                              |                           | -                  | -                                 | -                | -                                | -                                | -                  | -  | -                 | -  | -   | -   | -   | -                                   | -                | -  | -  | -                    | -                                |
| XVI.   | Other  |                           | -                  | -                                 | -                | -                                | -                                | -                  | -  | (16.565)          | -  | -   | -   | -   | -                                   | -                | -  | (16.565)                                       | -                    | (16.565)                         |
| XVII.  | Current year income or loss  |                           | -                  | -                                 | -                | -                                | -                                | -                  | -  | -                 | 2.056.015                                  | -   | -   | -   | -                                   | -                | -  | 2.056.015                                      | 167                  | 2.056.182                        |
| XVIII.   | Profit distribution  |                           | -                  | -                                 | -                | -                                | 177.214                          | -                  | 1.763.811                                | 873.950           | (3.658.952)                                | 455.977   | -   | -   | -                                   | -                | -  | (388.000)                                      | (47)                 | (388.047)                        |
| 18.1   | Dividend paid  |                           | -                  | -                                 | -                | -                                | -                                | -                  | -  | -                 | -  | (388.000)   | -   | -   | -                                   | -                | -  | (388.000)                                      | (47)                 | (388.047)                        |
| 18.2   | Transfers to reserves  |                           | -                  | -                                 | -                | -                                | 177.214                          | -                  | 1.763.811                                | 873.950           | (3.658.952)                                | 843.977   | -   | -   | -                                   | -                | -  | -  | -                    | -                                |
| 18.3   | Other  |                           | -                  | -                                 | -                | -                                | -                                | -                  | -  | -                 | -  | -   | -   | -   | -                                   | -                | -  | -  | -                    | -                                |
| XIX.   | Transactions with minority   |                           | -                  | -                                 | -                | -                                | -                                | -                  | -  | -                 | -  | -   | -   | -   | -                                   | -                | -  | -  | (2.185)              | (2.185)                          |
| Period end balance (I+II+III+.....+XVII+XVIII+XIX) |  |                           | 4.347.051          | -                                 | 543.881          | -                                | 641.000                          | -                  | 9.815.284                                | 1.524.256         | 2.056.015                                  | 1.383.961   | 391.468   | 18.485  | 4.503                               | (512.661)        | -  | 20.213.243                                     | 462                  | 20.213.705                       |

(1) Total legal reserves and extraordinary reserves of the consolidated entities except Parent Bank's legal reserves and extraordinary reserves have been presented under prior period net income/ (loss).

The accompanying explanations and notes form an integral part of these consolidated financial statements.

**VI. Consolidated statement of cash flows**

|  | Note<br>(Section<br>Five) | Current Period<br>(31/12/2014) | Prior Period<br>(31/12/2013) |
|--|---------------------------|--------------------------------|------------------------------|
| <b>A. Cash flows from banking operations</b>   |                           |                                |                              |
| 1,1 Operating profit before changes in operating assets and liabilities                      |                           | 3.902.923                      | 3.224.212                    |
| 1.1.1 Interest received  |                           | 11.821.448                     | 10.959.486                   |
| 1.1.2 Interest paid  |                           | (6.725.995)                    | (4.869.308)                  |
| 1.1.3 Dividend received  |                           | 9.351                          | 11.002                       |
| 1.1.4 Fees and commissions received  |                           | 2.960.372                      | 2.548.931                    |
| 1.1.5 Other income   |                           | 192.922                        | 1.466.475                    |
| 1.1.6 Collections from previously written-off loans and other receivables                    |                           | 1.021.124                      | 1.226.236                    |
| 1.1.7 Payments to personnel and service suppliers  |                           | (4.276.835)                    | (2.812.384)                  |
| 1.1.8 Taxes paid   |                           | (784.504)                      | (522.041)                    |
| 1.1.9 Other  | VI-c                      | (314.960)                      | (4.784.185)                  |
| 1,2 Changes in operating assets and liabilities  |                           | (5.028.550)                    | (7.195.796)                  |
| 1.2.1 Net (increase)/decrease in trading securities  |                           | 27.626                         | 438.112                      |
| 1.2.2 Net (increase)/decrease in fair value through profit/loss financial assets             |                           | -                              | -                            |
| 1.2.3 Net (increase)/decrease in banks   |                           | (2.200.700)                    | (6.676.502)                  |
| 1.2.4 Net (increase)/decrease in loans   |                           | (29.857.757)                   | (23.798.054)                 |
| 1.2.5 Net (increase)/decrease in other assets  |                           | (441.458)                      | 599.076                      |
| 1.2.6 Net increase /(decrease) in bank deposits  |                           | 180.337                        | 923.320                      |
| 1.2.7 Net increase /(decrease) in other deposits   |                           | 18.910.521                     | 16.354.669                   |
| 1.2.8 Net increase /(decrease) in funds borrowed   |                           | 5.360.725                      | 4.126.020                    |
| 1.2.9 Net increase /(decrease) in payables   |                           | -                              | -                            |
| 1.2.10 Net increase /(decrease) in other liabilities   | VI-c                      | 2.992.156                      | 837.563                      |
| <b>I. Net cash flows from banking operations</b>   |                           | <b>(1.125.627)</b>             | <b>(3.971.584)</b>           |
| <b>B. Cash flows from investing activities</b>   |                           |                                |                              |
| <b>II. Net cash flows from investing activities</b>  |                           | <b>(3.051.911)</b>             | <b>(392.363)</b>             |
| 2,1 Cash paid for acquisition of investments in associates subsidiaries and joint ventures   |                           | (52)                           | (259.237)                    |
| 2,2 Cash obtained from disposal of investments in associates subsidiaries and joint ventures |                           | 44.433                         | 1.358.266                    |
| 2,3 Purchases of property and equipment  |                           | (474.913)                      | (305.050)                    |
| 2,4 Disposals of property and equipment  |                           | 84.204                         | 61.846                       |
| 2,5 Purchase of investments available-for-sale   |                           | (12.605.606)                   | (11.273.077)                 |
| 2,6 Sale of investments available-for-sale   |                           | 8.357.086                      | 10.402.960                   |
| 2,7 Purchase of investment securities  |                           | (834.017)                      | (504.486)                    |
| 2,8 Sale of investment securities  |                           | 2.376.954                      | 126.415                      |
| 2,9 Other  |                           | -                              | -                            |
| <b>C. Cash flows from financing activities</b>   |                           |                                |                              |
| <b>III. Net cash flows from financing activities</b>   |                           | <b>4.602.499</b>               | <b>3.175.953</b>             |
| 3,1 Cash obtained from funds borrowed and securities issued                                  |                           | 15.527.348                     | 11.659.816                   |
| 3,2 Cash used for repayment of funds borrowed and securities issued                          |                           | (10.536.802)                   | (8.183.185)                  |
| 3,3 Issued capital instruments   |                           | -                              | -                            |
| 3,4 Dividends paid   |                           | (388.047)                      | (300.678)                    |
| 3,5 Payments for finance leases  |                           | -                              | -                            |
| 3,6 Other  |                           | -                              | -                            |
| <b>IV. Effect of change in foreign exchange rates on cash and cash equivalents</b>           | VI-c                      | <b>121.307</b>                 | <b>836.133</b>               |
| <b>V. Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)</b>               |                           | <b>546.268</b>                 | <b>(351.861)</b>             |
| <b>VI. Cash and cash equivalents at beginning of the period</b>                              | VI-a                      | <b>10.480.428</b>              | <b>10.832.289</b>            |
| <b>VII. Cash and cash equivalents at end of the period</b>                                   | VI-a                      | <b>11.026.696</b>              | <b>10.480.428</b>            |

## VII. Profit appropriation statement <sup>(1), (2)</sup>

|             |  | Current Period<br>(31/12/2014) | Prior Period<br>(31/12/2013) |
|-------------|--|--------------------------------|------------------------------|
| <b>I.</b>   | <b>Distribution of current year income</b>                       |                                |                              |
| 1.1         | Current year income  | 2.369.625                      | 3.783.598                    |
| 1.2         | Taxes and duties payable (-)                                     | (524.659)                      | (580.623)                    |
| 1.2.1       | Corporate tax (income tax)                                       | (680.515)                      | (206.221)                    |
| 1.2.2       | Income withholding tax   | -                              | -                            |
| 1.2.3       | Other taxes and duties <sup>(3)</sup>                            | 155.856                        | (374.402)                    |
| <b>A.</b>   | <b>Net income for the year (1.1-1.2)</b>                         | <b>1.844.966</b>               | <b>3.202.975</b>             |
| 1.3         | Prior year losses (-)  | -                              | -                            |
| 1.4         | First legal reserves (-)   | -                              | 177.214                      |
| 1.5         | Other statutory reserves (-)                                     | -                              | -                            |
| <b>B.</b>   | <b>Net income available for distribution [(A+(1.3+1.4+1.5))]</b> | <b>1.844.966</b>               | <b>3.025.761</b>             |
| 1.6         | First dividend to shareholders (-)                               | -                              | 388.000                      |
| 1.6.1       | To owners of ordinary shares                                     | -                              | 388.000                      |
| 1.6.2       | To owners of privileged shares                                   | -                              | -                            |
| 1.6.3       | To owners of preferred shares                                    | -                              | -                            |
| 1.6.4       | To profit sharing bonds  | -                              | -                            |
| 1.6.5       | To holders of profit and loss sharing certificates               | -                              | -                            |
| 1.7         | Dividends to personnel (-)                                       | -                              | -                            |
| 1.8         | Dividends to board of directors (-)                              | -                              | -                            |
| 1.9         | Second dividend to shareholders (-)                              | -                              | -                            |
| 1.9.1       | To owners of ordinary shares                                     | -                              | -                            |
| 1.9.2       | To owners of privileged shares                                   | -                              | -                            |
| 1.9.3       | To owners of preferred shares                                    | -                              | -                            |
| 1.9.4       | To profit sharing bonds  | -                              | -                            |
| 1.9.5       | To holders of profit and loss sharing certificates               | -                              | -                            |
| 1.10        | Second legal reserves (-)  | -                              | -                            |
| 1.11        | Statutory reserves (-)   | -                              | -                            |
| 1.12        | Extraordinary reserves   | -                              | 1.763.811                    |
| 1.13        | Other reserves   | -                              | -                            |
| 1.14        | Special funds  | -                              | 873.950                      |
| <b>II.</b>  | <b>Distribution of reserves</b>                                  |                                |                              |
| 2.1         | Appropriated reserves  | -                              | -                            |
| 2.2         | Second legal reserves (-)  | -                              | -                            |
| 2.3         | Dividends to shareholders (-)                                    | -                              | -                            |
| 2.3.1       | To owners of ordinary shares                                     | -                              | -                            |
| 2.3.2       | To owners of privileged shares                                   | -                              | -                            |
| 2.3.3       | To owners of preferred shares                                    | -                              | -                            |
| 2.3.4       | To profit sharing bonds  | -                              | -                            |
| 2.3.5       | To holders of profit and loss sharing certificates               | -                              | -                            |
| 2.4         | Dividends to personnel (-)                                       | -                              | -                            |
| 2.5         | Dividends to board of directors (-)                              | -                              | -                            |
| <b>III.</b> | <b>Earnings per share</b>  |                                |                              |
| 3.1         | To owners of ordinary shares                                     | 0,0042                         | 0,0074                       |
| 3.2         | To owners of ordinary shares ( % )                               | -                              | -                            |
| 3.3         | To owners of privileged shares                                   | -                              | -                            |
| 3.4         | To owners of privileged shares ( % )                             | -                              | -                            |
| <b>IV.</b>  | <b>Dividend per share</b>  |                                |                              |
| 4.1         | To owners of ordinary shares                                     | -                              | 0,0009                       |
| 4.2         | To owners of ordinary shares ( % )                               | -                              | -                            |
| 4.3         | To owners of privileged shares                                   | -                              | -                            |
| 4.4         | To owners of privileged shares ( % )                             | -                              | -                            |

(1) Profit Appropriation Statement has been prepared according to unconsolidated financial statements of the Parent Bank.

(2) Authorized body for profit appropriation of the current period is General Assembly. As of the preparation date of these financial statements, yearly ordinary meeting of the General Assembly has not been held yet. Since the profit appropriation proposal for the year 2014 has not been prepared by the Board of Directors, only net profit related to the year 2013, which is base for the profit appropriation calculation, has been disclosed. The aforementioned amount also includes 75% of gains on sales of property and equipment, and share certificates amounting to TL 1.486 which are not going to be distributed and are going to be held in reserves according to the article 5/1-e of Corporate Tax Law No. 5520.

(3) As per the BRSA, income associated with deferred tax assets shall not be considered as cash or internally generated source and accordingly such amounts taking part of net period profit shall not be included in profit distribution and capital increase. As of December 31, 2014 the Bank has deferred tax income amounting to TL 155.586 associated with the deferred tax asset which will not be distributed.

### Section Three: Accounting policies

#### I. Explanations on basis of presentation:

The Parent Bank maintains its books of accounts in Turkish Lira in accordance with the Banking Act No. 5411 ("Banking Act"), which is effective from November 1, 2005, the Turkish Commercial Code ("TCC") and Turkish Tax Legislation.

The consolidated financial statements are prepared in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents" published in the Official Gazette No. 26333 dated November 1, 2006 by the Banking Regulation and Supervision Agency ("BRSA") which refers to "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") and other decrees, notes and explanations related to the accounting and financial reporting principles (all "Turkish Accounting Standards" or "TAS") published by the BRSA. The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" and changes and notes to this communiqué published in the Official Gazette No. 28337 dated June 28, 2012.

The financial statements of subsidiaries operating abroad have been prepared in accordance with legislations and regulations of the country in which they are operating, however in order to provide fair presentation according to TAS, necessary adjustments and reclassifications are reflected to those financial statements.

The accompanying consolidated financial statements are prepared in accordance with the historical cost basis (restated for the changes in the general purchasing power of TL until December 31, 2004), except for financial assets at fair value through profit or loss, financial assets available for sale, trading derivative financial liabilities and hedging derivative financial assets/liabilities. Besides, the carrying values of assets carried at amortised cost but subject to fair value hedge are adjusted to reflect the fair value changes related to the hedged risks.

The preparation of consolidated financial statements in conformity with TAS requires the use of certain accounting estimates by the Group management to exercise its judgment on the assets and liabilities on the balance sheet and contingent assets and liabilities as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are explained in the related notes and reflected to the income statement.

The accounting policies and valuation principles applied in the preparation of financial statements are defined and applied in accordance with TAS and are consistent with the accounting policies applied for the year ended December 31, 2013, except for changes on accounting policies from historical cost basis to revaluation basis for art objects and paintings in tangible assets. TAS/TFRS changes which are effective from January 1, 2014 (TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended), TRFS Interpretation 21 Levies, Amendments to TAS 36 - (Recoverable Amount Disclosures for Non-Financial assets), Amendments to TAS 39 - Novation of Derivatives and Continuation of Hedge Accounting, TFRS 10 Consolidated Financial Statements (Amendment)) do not have a significant effect on the Group's accounting policies, financial position or performance. Those accounting policies and valuation principles are explained in Notes II. to XXVII. below.

## **Accounting policies (continued)**

The effects of TFRS 9, “Financial Instruments” which has not been implemented yet, are under evaluation by the Group. The standard which the Group did not early adopt will primarily have an effect on the classification and measurement of the Group’s financial assets. The Group is currently assessing the impact of adopting TFRS 9. However, as the impact of adoption depends on the assets held by the Group at the date of adoption itself, it is not practical or possible to quantify the effect at this stage. As of the date of these financial statements, the other TAS/TFRS standards announced but not yet effective are not expected to have significant impact on the Group’s accounting policies, financial position and performance.

### **Additional paragraph for convenience translation into English:**

The differences between accounting principles, as described in the preceding paragraphs and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

## **II. Explanations on strategy of using financial instruments and foreign currency transactions:**

The general strategy of the Group in using financial instruments is to sustain an optimal balance between the yield of the instruments and their risks. The most important funding source of the Group is deposits. The Group can also sustain a lengthened liability structure by using long-term foreign currency borrowings from foreign financial institutions. Funds obtained from deposits and other sources are invested in quality financial assets in order to keep currency, interest rate and liquidity risks within the limits determined by the asset-liability strategy. The currency, interest and liquidity risks of on-balance sheet and off-balance sheet assets and liabilities are managed accordingly within the risk limits accepted by the Group and the related legal limits. Derivative instruments are mainly utilised for liquidity needs and for mitigating currency and interest rate risks. The position of the Group as a result of foreign currency activities is being held at minimum levels and the currency risk exposure is followed within the determined levels by the Board of Directors by considering the limits specified by the Banking Act.

Foreign currency denominated monetary assets and liabilities are translated with the Parent Bank exchange rates prevailing at the balance sheet date gains and losses arising from such valuations are recognised in the income statement under the account of “Foreign exchange gains or losses”, except for valuation differences arising from foreign currency participations, subsidiaries and foreign currency non-performing loans. Foreign currency non-performing loans are translated with the exchange rates at the date of transfer to non-performing loans accounts.

The Group hedges part of the currency translation risk of net investments in foreign operations through currency borrowings. The effective portion of the foreign exchange difference of these financial liabilities is recognised in “Hedging funds” in equity.

The Group, classifies its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition.

## **III. Information on consolidation principles:**

### **a. Consolidation principles applied:**

The consolidated financial statements have been prepared in accordance with the procedures listed in the “Communiqué related to the Regulation on the Preparation of the Consolidated Financial Statements of Banks” published in the Official Gazette No. 26340 dated November 8, 2006 and the “Turkish Accounting Standard for Consolidated Financial Statements” (“TFRS 10”).

#### **1. Consolidation principles of subsidiaries:**

Subsidiaries are the entities controlled directly or indirectly by the Parent Bank.

Control is defined as the power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Parent Bank’s returns.



## Accounting policies (continued)

Subsidiaries are consolidated with full consolidation method by considering the results of their activities and the size of their assets and shareholders' equity. Financial statements of the related subsidiaries are included in the consolidated financial statements from the date control is transferred to the Group and they are taken out of consolidation scope when control no longer exists. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In accordance with the full consolidation method, balance sheet, income statement and off balance sheet items of the subsidiaries have been consolidated line by line with the balance sheet, income statement and off balance sheet of the Parent Bank. The book value of the investments of the Group in each subsidiary has been netted off with the portion of each subsidiary's capital that belongs to the Group. Unrealized gains and losses and balances resulting from the transactions among the entities included in consolidation have been eliminated. In the consolidated balance sheet and income statement, minority interest has been presented separately from the shares of the Group shareholders

Yapı Kredi Sigorta A.Ş. ("YKS") and Yapı Kredi Emeklilik A.Ş. ("YKE") owned by YKS, which were in the consolidation scope of the Group as of December 31, 2012, are sold to Allianz SE on July 12, 2013; resulting in loss of control over these subsidiaries however, with reinvesting to YKE (the new name "Allianz Yaşam ve Emeklilik A.Ş." ("Allianz")) with 20% share, the Group gained a significant influence on YKE.

Until the date of the sale both YKS and YKE are consolidated and their operating results and the profit from the sale are presented under the discontinued operations in the accompanying consolidated financial statements.

The share in Allianz is accounted with its fair value at the date the control is lost.

In the Extraordinary end of liquidation General Assembly of Tasfiye Halinde Yapı Kredi B Tipi Yatırım Ortaklığı A.Ş. ("YKYO") held on July 8, 2014, it was decided to conclude the liquidation process and to pay the remaining liquidation liabilities to the shareholders. In addition, it was decided to delist the official name, information and registry record of the YKYO from the trade registry records and other governmental agencies' records.

Yapı Kredi Bank Malta Ltd ("Yapı Kredi Malta") has been effectively established as a subsidiary of Yapı Kredi Holding BV, which is fully owned and controlled by the Bank, after the receipt of an approval from Maltese legal authority on October 23, 2014, on the top of other approvals of BRSA and decisions taken by the Board of the Bank. Yapı Kredi Malta is fully consolidated in the consolidated financial statements of the Bank.

The subsidiaries included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

| Title   | Incorporation<br>(City/ Country) | Main<br>activities      | Effective                      | Direct and                                 |
|---|----------------------------------|-------------------------|--------------------------------|--|
|   |                                  |                         | rates (%)<br>December 31, 2014 | indirect rates<br>(%)<br>December 31, 2014 |
| Yapı Kredi Leasing  | Istanbul/Turkey                  | Leasing                 | 99,99                          | 99,99                                      |
| Yapı Kredi Faktoring  | Istanbul/Turkey                  | Factoring               | 99,96                          | 99,96                                      |
| Yapı Kredi Menkul   | Istanbul/Turkey                  | Investment Management   | 99,98                          | 99,98                                      |
| Yapı Kredi Portföy  | Istanbul/Turkey                  | Portfolio Management    | 99,95                          | 99,97                                      |
| Yapı Kredi Holding B.V.   | Amsterdam/Netherlands            | Financial Holding       | 100,00                         | 100,00                                     |
| Yapı Kredi Bank N.V.  | Amsterdam/Netherlands            | Banking                 | 100,00                         | 100,00                                     |
| Yapı Kredi Bank Moscow  | Moscow/Russia                    | Banking                 | 100,00                         | 100,00                                     |
| Yapı Kredi Azerbaijan   | Baku /Azerbaijan                 | Banking                 | 100,00                         | 100,00                                     |
| Stiching Custody Services YKB   | Amsterdam/Netherlands            | Custody services        | 100,00                         | 100,00                                     |
| Yapı Kredi Invest LLC   | Baku/Azerbaijan                  | Portfolio Management    | 100,00                         | 100,00                                     |
| Yapı Kredi Malta  | St.Julian/Malta                  | Banking                 | 100,00                         | 100,00                                     |
| Yapı Kredi Diversified Payment<br>Rights Finance Company <sup>(1)</sup> | George Town/<br>Cayman Islands   | Special Purpose Company | -                              | -  |

(1) It is a special purpose entity established for securitization transactions and is included in the consolidation although it is not a subsidiary of the Parent Bank.

## Accounting policies (continued)

2. Consolidation principles of associates:

The associates are entities in which the Parent Bank participates in their capital and has significant influence on them, although the Parent Bank has no capital or management control, is established in domestic and abroad. The related associates are consolidated with equity method.

Significant influence refers to the participation power on the constitution of the financial and management policies of the participated associate.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in an associate from the changes in the participated associate's shareholders' equity during the period attributable to the portion of the investor and the deduction of the dividend received from the associate from the revised value of the associate amount.

The associates included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

| <b>Title</b>                                | <b>(City/<br/>Country)</b> | <b>Main<br/>activities</b> | <b>Effective rates %<br/>December 31, 2014</b> | <b>Direct and<br/>indirect rates %<br/>December 31, 2014</b> |
|---|----------------------------|----------------------------|--|--|
| Banque de Commerce et de<br>Placements S.A. | Geneva/Switzerland         | Banking                    | 30,67  | 30,67  |
| Allianz Yaşam ve Emeklilik A.Ş.             | İstanbul/Türkiye           | Insurance                  | 20,00  | 20,00  |

3. Consolidation principles of joint ventures:

The joint venture is an entity in which the Parent Bank participates in its capital and has joint control and whose main operation is real estate investment trust ("REIT") and operates according to special legislation with permission and license and is established in Turkey. The related joint venture is consolidated with equity method in accordance with materiality principle.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in a joint venture from the changes in the participated joint venture's shareholders' equity during the period attributable to the portion of the investor and the deduction of the dividend received from the associate from the revised value of the associate amount.

The joint venture included in consolidation, its title, its place of incorporation, main activities and effective shareholding rates are as follows:

| <b>Title</b>  | <b>(City/<br/>Country)</b> | <b>Main<br/>activities</b> | <b>Effective rates %<br/>December 31, 2014</b> | <b>Direct and<br/>indirect rates %<br/>December 31, 2014</b> |
|---|----------------------------|----------------------------|--|--|
| Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş. | İstanbul/Turkey            | REIT                       | 30,45  | 30,45  |

## Accounting policies (continued)

### 4. Transactions with minority shareholders:

The Group applies a policy of treating transactions with minority interests as transactions within the Group. The difference between the acquisition cost and net asset acquired is recognised under equity. Disposals from minority interests are also considered as equity transactions and result in changes in the equity of the Group.

### b. Presentation of unconsolidated subsidiaries, associates and joint ventures in consolidated financial statements:

Turkish Lira denominated investments in unconsolidated associates, subsidiaries and joint ventures are accounted at cost value, less any impairment, in accordance with "Turkish Accounting Standards for Individual Financial Statements" ("TAS 27") in the consolidated financial statements.

Foreign currency denominated investments in unconsolidated associates, subsidiaries and joint ventures are accounted at their original foreign currency costs translated into Turkish Lira using the exchange rates prevailing at the transaction date less impairment, if any.

When the cost of associates, subsidiaries and joint ventures is higher than the net realizable value, the carrying amount is reduced to the net realizable or fair value considering whether the value decrease is temporary or permanent and the ratio of the value decrease.

## IV. Explanations on forward and options contracts and derivative instruments:

The Group's derivative transactions mostly include foreign currency money and interest rate swaps, forward foreign exchange purchase and sale transactions and options.

Derivative instruments are measured at fair value on initial recognition and subsequently re-measured at their fair values. As a result, the fair value of derivatives is reflected as net liability or net asset on a contract by contract basis. The accounting method of the income or loss arising from derivative instruments depends on whether the derivative is being used for hedging purposes or not and depends on the type of item being hedged.

At the transaction date, the Group documents the relationship between hedging instruments and hedged items, together with the risk management policies and the strategies on hedging transactions. Besides, the Group regularly documents the effectiveness of the hedging instruments in offsetting the changes in the fair value of the hedged items.

## Accounting policies (continued)

Changes in the fair value of derivative instruments subject to fair value hedges are recognized under profit or loss accounts together with the variation in the fair value of hedged items. The changes of fair value of derivative transactions for fair value hedge are classified in "Derivative Financial Transactions Gains/Losses" account. In the balance sheet, changes in the fair value of hedged assets and liabilities, during the period in which the hedge is effective, are shown with the related assets and liabilities. The ineffective portion of the mentioned hedging transactions is reflected to the income statement. If the underlying hedge does not conform to the hedge accounting requirements, according to the adjustments made to the carrying value (amortised cost) of the hedged item, for which the risk is hedged by a portfolio hedge, are amortized with the straight line method within the time to maturity and recognized under the profit and loss accounts. Fair value adjustments are recognized directly in the income statement in an event of repayment and/or unwinding and/or the recognition of the hedged item.

The Parent Bank hedges its cash flow risk arising from foreign currency and Turkish Lira floating interest rate liabilities by using interest rate swaps. The effective portion of the fair value changes of the hedging instruments are recorded in "Hedging funds" under shareholders' equity. These funds are transferred to profit or loss from equity when the cash flows of the hedged items (interest expense) impact the income statement.

In case the cash flow hedge accounting is discontinued due to the expiry, realization for sale of the hedging instrument, termination of the hedged risk or due to the results of the effectiveness test the amounts accounted under shareholders' equity are transferred to the profit and loss accounts as these cash flows of the hedged item are realized.

Some of the trading purpose derivative transactions, even though they provide effective economic hedges under the Group's risk management policy, do not qualify for hedge accounting under the specific rules in "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement ("TAS 39")" and are therefore treated as "financial instruments at fair value through profit or loss".

"Financial instruments at fair value through profit or loss" are measured at fair value. If the fair value of derivative financial instruments is positive, it is disclosed under the main account "financial assets at fair value through profit or loss" in "derivative financial assets held for trading" and if the fair value difference is negative, it is disclosed under "derivative financial liabilities held for trading". Fair value changes are recorded under "Derivative Financial Transactions Gains/(Losses)" in the income statement.

The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

Parameters used for the valuation of the option portfolio of the Parent Bank are determined by market risk management and the confirmation of the accuracy of fair value calculations are monitored periodically by market risk management.

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts as their contractual values. Embedded derivatives are separated from the host contract and accounted as derivative instruments according to TAS 39; in case, (i) the related embedded derivative's economic features and risks are not closely related to the host contract, (ii) another instrument that has the same contract conditions with the embedded derivative satisfies the definition of a derivative instrument and (iii) the hybrid instrument is not carried at fair value through profit or loss.

Credit derivatives are capital market tools designed to transfer credit risk from one party to another.

As of December 31, 2014, the Parent Bank's credit derivatives portfolio included in the off-balance sheet accounts is composed of credit linked notes (embedded derivatives are separated from host contract in line with TAS 39 and recorded as credit default swaps) and credit default swaps.

Credit linked notes are bonds that have repayments depending on a credit event or the credit risk evaluation of a reference asset or asset pool. Depending on whether the reference assets are included in the balance sheet of the issuer or the owner of the assets, these transactions can be accounted by the party assuming the credit risk as insurance or as an embedded derivative. As per the Bank's management evaluation, the embedded derivatives included in the credit linked notes are separated from the host contracts in accordance with TAS 39 and recorded and evaluated as credit default swaps. The bond itself (host contract) is valued in accordance with the valuation principles of the category it is classified.

Credit default swaps are contracts, in which the seller commits to pay the contract value to the buyer in case of certain credit risk events in return for the premium paid by the buyer for the contract. Credit default swaps are valued daily by the valuation model of the Parent Bank and then accounted over their fair values; while credit linked notes are valued and accounted monthly.

Market risks of these products are monitored using the Parent Bank's internal modeling system for the Value-at-Risk and basis points sensitivity analysis; the liquidity risks are monitored using the short term liquidity report on daily and the long term liquidity report on monthly basis.

According to the regulations of BRSA, those currency exchange transactions realized at value date in the initial phase of currency swaps are recorded and followed as irrevocable commitments in off-balance sheet accounts until the value date.

A Credit Valuation Adjustment (CVA) is applied to the Bank's over-the-counter derivative exposures to take into account the counterparty's risk of default when measuring the fair value of the derivative. CVA is the mark-to-market cost of protection required to hedge credit risk from counterparties in the Bank's over-the-counter derivatives portfolio. The Bank calculates CVA based on collective provisioning methodology calculated in accordance with international financial reporting standards, TAS 39, comprising the product of Exposure, Probability of Default (PD) and Loss Given Default (LGD). CVA is calculated based on the exposure of each counter party.

**V. Explanations on interest income and expense:**

Interest income and expenses are recognised in the income statement on an accrual basis by using the effective interest method periodically. The Group ceases accruing interest income on non-performing loans and, any interest income accruals from such receivables are reversed and no income is accounted until collection is made according to the related regulation.

**VI. Explanations on fee and commission income and expenses:**

Fees and commissions received as a result of the service agreements or arising from negotiating or participating in the negotiation of a transaction on behalf of a third party are recognized either in the period when the transaction is realized or deferred based on the type of the underlying transaction. Other commission income and fees from various banking services are recorded as income at the time of realization.

## Accounting policies (continued)

### VII. Explanations on financial assets:

The Group classifies and accounts its financial assets as “Fair value through profit or loss”, “Available-for-sale”, “Loans and receivables” or “Held-to-maturity”. The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Group management, taking into consideration the purpose of holding the investment. Regular purchases and sales of financial assets are recorded based on settlement date. Settlement date of a financial asset is the date that the asset is received or delivered by the Group. Settlement date accounting requires; (a) accounting for the financial asset when the asset is received and (b) accounting of disposal of the financial asset and recording the related profit and loss when the asset is delivered. The fair value changes of an asset to be acquired between the trade date and settlement date is accounted in accordance with the basis of valuation of assets.

#### a. Financial assets at fair value through profit or loss:

Financial assets, which are classified as “Financial assets at fair value through profit or loss”, are trading financial assets and are either acquired for generating profit from short-term fluctuations in the price or dealer’s margin, or are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Trading financial assets are initially recognized at fair value and are subsequently re-measured at their fair value. However, if fair values cannot be obtained from active market transactions, it is assumed that the fair value cannot be measured reliably and fair values are calculated by alternative models. All gains and losses arising from these valuations are recognized in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

Derivative financial instruments are treated as trading financial assets unless they are designated as hedge instruments. The principles regarding the accounting of derivative financial instruments are explained in detail in Note IV. of this section.

#### b. Held-to-maturity financial assets:

Held-to-maturity financial assets are non-derivative financial assets other than loans and receivables, with fixed maturities and fixed or determinable payments where management has the intent and ability to hold the financial assets to maturity and that are not initially classified as financial assets at fair value through profit/loss or available for sale. Held-to-maturity financial assets are initially recognized at total of acquisition and transaction cost. Held-to-maturity securities are carried at “Amortized cost” using the “Effective interest method” after their initial recognition. Interest income related with held-to-maturity securities is recorded in “Interest income” and impairment arising from a decrease in cost or revalued amounts is recorded in “Provision for impairment of loans and other receivables” accounts.

**Accounting policies (continued)**

There are no financial assets that were previously classified as held-to-maturity but cannot be subject to this classification for two years due to breach of classification principles. In accordance with TAS 39, sales or reclassification to available for sale portfolio of insignificant amount of financial assets, sale or reclassification to available for sale portfolio of financial assets which are close to maturity less than three months, or sale or reclassification to available for sale portfolio of assets as a result of significant increase in the risk weights of held-to-maturity investments used for regulatory risk-based capital purposes will not result in tainting.

**c. Loans and receivables:**

Loans and receivables are financial assets raised through lending without having the intention to trade in the short term. Loans and receivables are non derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted on active market. Loans and receivables are recognized initially at cost including transaction costs (which reflect fair values) and subsequently carried at the amortized cost using the "effective interest method". The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognized in the expense accounts.

Retail, commercial and corporate loans included in cash loans are accounted for with their original maturities in accounts which are mentioned in the Uniform Chart of Accounts ('UCA'). Foreign currency indexed loans are initially measured at local currency accounts with the foreign exchange rate prevailing at date of the initial recognition and re-valued with the relevant foreign currency rates prevailing at the date of the financial statements. Increase or decrease in the value of the principal amount of the loan due to changes in foreign exchange rates is accounted in the related income and expense accounts. Repayment amounts are translated with the foreign exchange rates prevailing at the repayment dates and the valuation differences is accounted for in foreign exchange gain/loss accounts.

The Parent Bank provides general and specific provisions based on the assessments and estimates of the management, by considering the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") published in the Official Gazette No. 26333 dated November 1, 2006. In this context, the management estimates are determined, on the basis of the prudence principle and the Parent Bank credit risk policies, considering the general structure of the loan portfolio, the financial conditions of the customers, non-financial information and the economic conjuncture.

Provision expenses are realized at the same period when they are provided. If there is a subsequent collection from a receivable that was already provisioned in previous years, the recovery amount is classified under "Other operating income". Uncollectible receivables are written-off after all the legal procedures are finalized.

**d. Available-for-sale financial assets:**

Available-for-sale financial assets are defined as financial assets other than the ones classified as "Loans and receivables", "Held-to-maturity assets" or "Financial assets at fair value through profit or loss".

**Accounting policies (continued)**

Available-for-sale financial assets are subsequently re-measured at fair value. When fair values based on market prices cannot be obtained reliably, the available-for-sale financial assets are carried at fair values determined by using alternative models. Available for sale equity securities which are not quoted on a market and the fair values of which can not be determined reliably, are carried at cost less any impairment. "Unrealized gains and losses" arising from changes in the fair value of financial assets classified as available-for-sale are recognized in the shareholders' equity as "Marketable securities valuation differences", until the related assets are impaired or disposed. When these financial assets are disposed or impaired, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement. Interest and dividends received from available for sale assets are recorded in interest income and dividend income as appropriate.

Interest income on available for sale financial assets are calculated by effective interest rate method and are accounted for in interest income account. At the time of sale of an available for sale financial assets before the maturity, the difference between the profit, which is the difference between the cost and sales price of the financial assets, and the interest income accrual are accounted under "Trading gains/(losses) on securities" according to the UCA.

**VIII. Explanations on impairment of financial assets:**

The existence of objective evidence whether a financial asset or group of financial assets is impaired, is assessed at each balance sheet date. If such evidence exists, impairment provision is provided based on the financial assets classification.

Impairment for held to maturity financial assets carried at amortized cost is calculated as the difference between the expected future cash flows discounted at the effective interest rate method and the carrying value. The impairment amount transferred from shareholders' equity to profit or loss for available for sale securities is calculated as the difference between the purchase cost (after deduction of principal repayments and redemption) and the fair value less any impairment that was previously recorded in profit or loss. This amount is recorded in expense accounts in accordance with the UCA.

The principles for the accounting of provisions for loans and receivables are explained in Note VII. of this section.

**IX. Explanations on offsetting financial assets:**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Group has a legally enforceable right to offset the recognised amounts and there is an intention to collect/pay related financial assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.



## Accounting policies (continued)

### **X. Explanations on sales and repurchase agreements and securities lending transactions:**

Securities subject to repurchase agreements (“Repos”) are classified as “At fair value through profit or loss”, “Available-for-sale” and “Held-to-maturity” according to the investment purposes of the Group and measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under “Funds provided under repurchase agreements” in liabilities and the difference between the sale and repurchase price is accrued over the life of the repurchase agreements using the “Effective interest method”. Interest expense on repo transactions are recorded under “Interest expense on money market transactions” in the income statement.

Funds given against securities purchased under agreements to resell (“reverse repo”) are accounted under “Receivables from reverse repurchase agreements” on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the effective interest method.

The Group has no securities lending transactions.

### **XI. Information on assets held for resale and related to discontinued operations and explanations on liabilities related with these assets:**

According to the TFRS 5, a tangible asset (or a group of assets to be disposed) classified as “Asset held for resale” is measured at lower of carrying value and fair value less costs to sell. An asset (or a group of assets to be disposed) is regarded as “Asset held for resale” only when the sale is highly probable and the asset (or a group of assets to be disposed) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively in the market at a price consistent with its fair value.

Additionally, assets that were acquired due to non-performing receivables are accounted in the financial statements in accordance with the “Communiqué Regarding the Principles and Procedures for the Disposals of Immovables and Commodities Acquired due to Receivables and for Trading of Precious Metal” published in the Official Gazette dated November 1, 2006, No. 26333 and classified as assets held for resale.

A discontinued operation is a part of the Group’s business classified as sold or held for sale. The operating results of the discontinued operations are disclosed separately in the income statement.

## Accounting policies (continued)

### XII. Explanations on goodwill and other intangible assets:

#### a. Goodwill:

The excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities or contingent liabilities of the acquired subsidiary at the date of acquisition of the control is recorded as goodwill and represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised. The acquirer also recognises assets that are capable of being individually identified and separately recognised, intangible assets (e.g. credit card brand value, deposit base and customer portfolio) and contingent liabilities at fair value, irrespective of whether the asset had been recognised by the acquiree before the business combination, if it can be distinguished from the goodwill and if the asset's fair value can be measured reliably.

In line with "Turkish Financial Reporting Standard for Business Combinations" ("TFRS 3"), the goodwill is not subject to amortisation but is tested annually or more frequently for impairment and carried at cost less accumulated impairment losses, if any, in line with "Turkish Accounting Standard for Impairment on Assets" ("TAS 36").

#### b. Other intangible assets:

Intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated amortisation and the provision for impairment.

The Group evaluates the possibility of existence of impairment of intangible assets at the end of each reporting period. If there is an evidence of impairment, the Group estimates a recoverable amount in accordance with the Turkish Accounting Standard (TAS 36) "Impairment of Assets". The recoverable amount is the higher of net sales price or the value in use. When the book value of another intangible asset exceeds the recoverable amount, the related asset is considered to be impaired. If there is no evidence of impairment, there is no need to estimate the recoverable amount.

Intangibles are amortised over their estimated useful lives using the straight-line method. The useful life of the asset is determined by assessing the expected useful life of the asset, technical, technological and other kinds of obsolescence and all required maintenance expenses necessary to utilise the economic benefit from the asset. The rates used are presented below:

|  |     |
|--|-----|
| Credit card brand value, deposit base and customer portfolio | 10% |
| Other intangible assets                                      | 20% |

## Accounting policies (continued)

### XIII. Explanations on property and equipment:

Property and equipment is measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement in accordance with the Turkish Accounting Standard (TAS 16) "Tangible Assets". Subsequently, properties and equipments, except art objects and paintings, are carried at cost less accumulated depreciation and provision for impairment. The Bank adopted a revaluation method for its art objects and paintings in tangible assets in accordance with TAS 16 in the current period.

Depreciation is calculated over the cost of property and equipment using the straight-line method. The rates used are stated below:

|   |     |
|---|-----|
| Buildings   | 2%  |
| Movables, movables acquired under financial leasing | 20% |

The depreciation charge for items remaining in property and equipment for less than a full accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment.

In accordance with the Turkish Accounting Standard (TAS 36) "Impairment of Assets", where the carrying amount of an asset is greater than its estimated "recoverable amount", it is written down to its "recoverable amount" and the provision for impairment is charged to the income statement.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales proceeds.

Expenditures for the repair and maintenance of property and equipment are recognised as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalised on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs.

### XIV. Explanations on leasing transactions:

The Group performs financial and operational leasing in the capacity of the lessee and lessor.

#### a. Accounting of leasing operations according to lessee:

##### Financial lease

The Group includes the lower of the market value of the fixed asset subject to financial leasing in the beginning of the financial leasing period or present value of the lease payments in property and equipment and records the liabilities arising from financial leasing in liabilities. Financing costs arising due to leasing are spread through the lease period forming a fixed interest rate. In addition, fixed assets that are obtained by the way of financial leasing are subject to depreciation based on their useful lives. If a decrease in the value of fixed assets that are subject to financial leasing is noticed, impairment provision is recognised. The liabilities arising from financial leasing contracts are accounted under "financial lease payables". Expenses arising from interest and exchange rate changes related to financial leasing liabilities are charged to the income statement. Lease payments are deducted from financial leasing payables.

## **Accounting policies (continued)**

### **Operational lease**

Leases, in which the majority of risk and return of property belongs to lessor, are classified as operational lease. Payments that are made under operational leases are accounted in income statements on a straight line basis during the lease period.

#### **b. Accounting of leasing operations according to lessor:**

Assets that are subject to financial leasing are reflected as a receivable equal to the net leasing amount in the consolidated financial statements. Interest income is earned to form a fixed periodical interest rate on net investment amount of the related leased asset by the lessor and the portion relating to subsequent periods is followed in the unearned interest income account.

### **Allowances for impairment of lease receivables**

The lease receivables provision for the impairment of investments in direct finance leases is established based on a credit review of the receivables portfolio. The Group has set this provision in accordance with the Communiqué of BRSA named "The Procedures Regarding the Provisions to Be Provided for the Loans of Leasing, Factoring and Consumer Finance Companies" ("Provisions Communiqué") which was published in the Official Gazette dated December 24, 2013, numbered 28861. According to the Communiqué, specific provisions are set in following proportions: minimum 20% for collateralized lease receivables for which related collections are delayed between 150 and 240 days, minimum 50% for collateralized lease receivables for which related collections are delayed between 240 and 360 day and 100% for collateralized lease receivables for which related collections are delayed more than 1 year.

In accordance with the related Communiqué of Provision, the Group also recognizes specific provision even if the overdue days are less than the days stated above or receivables are not over due at all, by taking into account all the existing data regarding the creditor and based on the principals of reliability and prudence.

In the Communiqué of Provisions, it is stated that although it is not mandatory, a general provision which is not related to a specific transaction can be recognised for the losses arising from the principal or interest of lease receivables that are not over due or overdue less than 150 days but the amount of loss is not certain. In accordance with the Communiqué of Provisions, the Group sets a general provision for the lease receivables that have not been considered as doubtful yet.

Finance lease receivables and accounts receivables that cannot be recovered are written off and charged against the allowance for the impairment of lease and accounts receivables. Such receivables are written off after all the necessary legal proceedings have been completed and the amount of loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction from the provision for the impairment of the lease receivable and are recognized as income.

## **Accounting policies (continued)**

### **XV. Explanations on provisions and contingent assets and liabilities:**

Provisions and contingent liabilities, except for the specific and general provisions recognised for loans and other receivables, are accounted in accordance with the “Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets” (“TAS 37”).

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions for contingent liabilities arisen from past events are recognised in the period of occurrence in accordance with the “Matching principle”. A provision is recognised when it is probable that the contingent event will occur and a reliable estimate can be made. When a reliable estimate of the amount of obligation cannot be made, or it is not probable that an outflow of resources will be required to settle the obligation, it is considered that a “contingent” liability exists and it is disclosed in the related notes to the financial statements.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

### **XVI. Explanations on obligations related to employee rights:**

#### **a. Employee termination benefits**

Obligations related to employee termination and vacation rights are accounted for in accordance with “Turkish Accounting Standard for Employee Rights” (“TAS 19”) and are classified under “Reserve for employee rights” account in the balance sheet.

Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labour Law. The reserve for employment termination benefits represents the present value of the estimated total liability for the future probable obligation of the Group determined by using certain actuarial assumptions. Actuarial gains and losses generated after January 1, 2013, are accounted for under equity in accordance with the revised IAS 19 standard.

#### **b. Pension rights**

The Parent Bank’s personnel are members of the Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı Vakfı (“the Fund”) which was established in accordance with the 20th temporary article of the Social Security Law No. 506. The technical financial statements of the Fund are audited in accordance with the Article 38 of the Insurance Supervision Law and the “Regulation Regarding the Actuaries” by a registered independent actuary.

Temporary article 23th paragraph 1 of the Banking Act published in the Official Gazette No 25983 dated November 1, 2005 stated that foundations like the Fund are to be transferred to the Social Security Institution (“SSI”) within three years beginning from the publication date of the article.

## **Accounting policies (continued)**

The article of the Law related to the transfer was cancelled (pursuant to the application by the President on November 2, 2005) by the decision of Constitutional Court (decision no: E.2005/39, K. 2007/33 dated March 22, 2007) published in the Official Gazette No. 26479 dated March 31, 2007, and the effect of the law article was suspended from the date of the publication of the decision.

The reasoning of the Constitutional Court regarding the abrogation of the corresponding article was published in the Official Gazette dated December 15, 2007, No 26372. With the publication of the reasoning of the decision, the Grand National Assembly of Turkey ("GNAT") started to work on new legal arrangements regarding the transfer of the fund members to SSI and the related articles of the "Law Regarding the Changes in Social Insurance and General Health Insurance Law and Other Related Laws and Regulations" No 5754 ("the New Law") regulating the transfer of the funds were approved by the GNAT on April 17, 2008. The New Law was published in the Official Gazette No. 26870 dated May 8, 2008. With the new law, the banks' pension funds will be transferred to SSI within three years from the date of publication of the decree and this period can be extended for a maximum of two years with the decision of the Council of Ministers. The transfer period was extended for another two years with the decision of the Council of Ministers No. 2011/1559 published in the Official Gazette dated April 9, 2011. According to the "Amendment of Social Insurance and General Health Insurance Law No. 6283" published in the Official Gazette dated March 8, 2012, Council of Ministers was authorized to increase the two-year extension period mentioned above to four years. According to the decision of The Council of Ministers dated February 24, 2014, the transfer date is set as May 2015.

A commission (whose members are the representatives of the SSI, the Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA, Saving Deposit Insurance Fund ("SDIF"), one member representing the Fund and one member representing the Fund members) is in charge of the calculation of the value of the payment that would need to be made to SSI to settle the obligation using a technical interest rate of 9,8% by law taking into consideration income and expenses by insurance branches of the funds and the excess of salaries and income paid by the funds over the salaries and income to be paid in accordance with the SSI arrangements which should not be less than SSI arrangements, related to the members of the Fund as of the date of the transfer including the members who have left the scheme.

In accordance with the New Law, after the transfer to SSI, any social rights and payments to Fund members and their beneficiaries which are not provided although they are included in the Fund Title Deed will continue to be provided by the Fund and the employers of the Fund members.

The Parent Bank accounts for a provision for the technical deficit based on the report prepared by a registered actuary in accordance with the rates determined by the New Law.

### **c. Defined contribution plans:**

The Bank is required to pay certain contributions to the Social Security Institution on behalf of their employees. Other than these payments, the Group does not have any further obligation in this respect. Such premiums are charged to personnel expenses when incurred.

### **d. Short term benefits of employee:**

Within the scope of TAS 19, the Group measures the expected costs of accumulated paid leaves as expected payments it will make due to unused leave rights as at the end of the reporting date.

## Accounting policies (continued)

### XVII. Explanations on taxation:

#### a. Current tax:

The Corporate Tax rate is 20% in accordance with the article number 32 of the New Corporate Tax Law no.5520 which is published in the official Gazette dated June 21, 2006 and numbered 26205. This tax rate is applied to accounting income modified for certain exemptions and deductions, and additions for certain non-tax deductible expenses and allowances for tax purposes. No further tax is payable unless the profit is distributed.

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case.

Corporations are required to pay advance corporate tax quarterly at a rate of 20% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

A 75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder's equity for five years.

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

Under the Turkish Corporate Tax Law, effective from April 24, 2003, investment allowances had provided a deduction from the corporate tax base of 40% of the purchase price of purchases of the brand new fixed assets having economic useful life and exceeding TL 10 and directly related with the production of goods and services and investment allowance that arose prior to April 24, 2003 had been taxed at 19,8% (withholding tax) unless they had been converted to new type at companies' will. Effective from January 1, 2006, Turkish government had ceased to offer investment incentives for capital investments and companies having unused qualifying capital investment amounts as of June 30, 2006 would be able to deduct such amounts from corporate income for the following years.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Tax returns are required to be filled and delivered to the related tax office until the evening of the 25th of the fourth month following the balance sheet date and the accrued tax is paid until the end of the same month. Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

## Accounting policies (continued)

Tax rates that are used in tax calculations before the exemptions by foreign subsidiaries by taking current tax regulations in their countries into consideration as of December 31, 2014 are as follows:

|             |        |
|-------------|--------|
| Netherlands | 25,00% |
| Russia      | 20,00% |
| Azerbaijan  | 20,00% |
| Malta       | 35,00% |

### b. Deferred tax:

The Group calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12") and in accordance with BRSA's explanations and circulars and the tax legislation, the Group calculates deferred tax on deductible temporary differences except for general loan loss provisions, to the extent that future taxable income is estimated to be available. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date.

Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that future taxable profit will be available against which the deferred tax asset can be utilised.

Deferred tax assets and liabilities of subsidiaries subject to consolidation have been netted of in their standalone financial statements in accordance with TAS 12. The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements.

Tax effects of the transactions that are directly accounted under equity are also reflected to equity.

Additionally, in accordance with the related legislation of BRSA, deferred tax effect, if income, is not eligible for dividend distribution and share capital increase.

### c. Transfer pricing:

The article no.13 of the Corporate Tax Law No.5520 describes the issue of transfer pricing under the title of "Disguised profit distribution" by way of transfer pricing (previously included as "Disguised profit" in the Corporate Tax Law No.5422). "The General Communiqué on Disguised Profit Distribution by Way of Transfer Pricing" published at November 18, 2007/26704, explains the application related issues on this topic effective from January 1, 2007, also taking into account the regulations in Article 41 of the Income Tax Law.

"Arm's length principle", which is the basis for the transfer pricing rule, is the pricing system to be followed for purchase or sale activities between related parties for any product or service transactions as if the transaction is realized with any other third party. According to this communiqué, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm's length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes.

As discussed in the relevant section of this communiqué, the taxpayers are required to fill out the "Transfer Pricing, Controlled Foreign Entities and Thin Capitalization" form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.



## **Accounting policies (continued)**

### **XVIII. Explanations on borrowings:**

The financial liabilities classified at fair value through profit/loss, trading and derivative financial liabilities are valued with their fair values and the other financial liabilities are carried at “amortised cost” including costs of transactions using the “effective interest method”.

The Group classifies some of its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition. For the related liabilities until the maturity, the Bank presents interest expenses paid and the difference between amortized cost and acquisition cost in the interest expense, the difference between the fair value of the financial liabilities and amortized cost presents under the trading gain/(loss) in the income statement.

The Group utilises various hedging techniques to minimise the currency, interest rate and liquidity risks of its financial liabilities. No convertible bonds have been issued.

Also, Group obtains funds by issuing bonds and bills.

### **XIX. Explanations on issuance of share certificates:**

When shares are issued above their nominal value, the excess over the nominal value is accounted under shareholders' equity as “Share premium”.

No dividend payments of the Parent Bank were announced after the balance sheet date.

### **XX. Explanations on avalized drafts and letter of acceptances:**

Avalized drafts and acceptances are included in the “off-balance sheet commitments”.

### **XXI. Explanations on government grants:**

In accordance with the related articles of the “Law Regarding the Supporting of Research and Development Activities” numbered 5746, until balance sheet date, the Group received government grant from TÜBİTAK amounting to TL 1.5851.585 (December 31, 2013 - TL 1.2031.203).

### **XXII. Profit reserves and profit distribution:**

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below. Legal reserves consist of first and second reserves as foreseen in the TCC. The TCC specifies that the first legal reserve is appropriated at the rate of 5% until the total reserve is equal to 20% of paid-in capital and that the second legal reserve is appropriated at the rate of 10% of distributions in excess of 5% of paid-in capital; however holding companies are not subject to this application. According to the Turkish Commercial Code, legal reserves can only be used to compensate for accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

## Accounting policies (continued)

### XXIII. Earnings per share:

Earnings per share disclosed in the income statement are calculated by dividing net profit/loss for the year to the weighted average number of shares outstanding during the period concerned.

|  | Current Period | Prior Period  |
|--|----------------|---------------|
| Net Income/(loss) from continuing operations to be appropriated to ordinary shareholders   | 2.056.015      | 2.333.177     |
| Weighted average number of issued ordinary shares(thousand)                                | 434.705.128    | 434.705.128   |
| <b>Earnings per share from continued operations (full TL)</b>                              | <b>0,0047</b>  | <b>0,0054</b> |
|  | Current Period | Prior Period  |
| Net Income/(loss) from discontinued operations to be appropriated to ordinary shareholders | -              | 1.326.012     |
| Weighted average number of issued ordinary shares(thousand)                                | -              | 434.705.128   |
| <b>Earnings per share from discontinued operations (full TL)</b>                           | <b>-</b>       | <b>0,0030</b> |

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. These bonus shares are treated as issued shares in earnings per share computations. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year is adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect. In case bonus shares are distributed after the balance sheet date but before the preparation of the financial statements, earnings per share is calculated considering the new number of shares.

In 2014 no bonus shares were issued by the Parent Bank (December 31, 2013 - no bonus shares were issued).

### XXIV. Related parties:

For the purpose of these financial statements, shareholders having control shares of the Bank, key management personnel and Board Members together with their families and companies controlled by/affiliated with them, associated companies and joint ventures and the Fund providing post employment benefits are considered and referred to as related parties in accordance with "Turkish Accounting Standard for Related Parties" ("TAS 24"). The transactions with related parties are disclosed in detail in Note VIII. of Section Five.

### XXV. Explanations on operating segments:

Information about operating segments which are determined in line with "Turkish Financial Reporting Standard about Operating Segments" ("TFRS 8") together with organizational and internal reporting structure of the Bank, are disclosed in Note XV of Section Four.

### XXVI. Explanations on other matters: None.

## **Accounting policies (continued)**

### **XXVII. Legal mergers under common control:**

As in TFRS 3 or in another standard in TFRS there is an absence of treatment that specifically applies to business combinations involving entities under common control, by examining the practices included in the generally accepted global accounting standards the Group decided to apply an accounting policy in parallel with the “pooling of interests” method in view of its judgement that the economic substance of the relevant transaction will be most reliably and accurately reflected in this manner. In the accounting of business combinations which occur under common control, assets and liabilities, subject to business combinations, are accounted for in the consolidated financial statements at their carrying values. Income statements are consolidated as of the beginning of the financial year in which the business combinations occurred. Financial statements belonging to previous periods also are adjusted in the same way in order to ensure the comparability. As a result of those transactions, any goodwill or negative goodwill is not calculated. The difference between the investment amount and the share in capital in the acquired company is directly accounted under equity as “the effect of legal mergers under common control”.

POA has issued a policy decision in July, 2013 regarding “Accounting for business combinations Subject to Joint Control Group” which is effective for annual periods beginning on December 31, 2012. Based on this decision, i) rights in business combinations under common control combinations should be accounted for by the method of pooling of interest, ii) due to that goodwill should not be included in the financial statements, iii) while pooling of interest method is applied, at the beginning of the reporting period where the common control occurs, corrections should be made in the financial statements as if the combination has been completed and this common control should be represented comparatively. The accounting policy applied by the group is consistent with the decision of principle.

#### Section four: Information related to financial position of the Group

##### I. Explanations on consolidated capital adequacy ratio:

- a. The consolidated capital adequacy ratio of the Group is 14,3614,36% (December 31, 2013 – 15,3215,32%) and the Parent Bank is 15,0315,03% (December 31, 2013 – 16,0016,00%).
- b. The capital adequacy ratio is calculated in accordance with the “Regulation Regarding the Measurement and Evaluation of Banks’ Capital Adequacy Ratio, “Regulation Credit Risk Mitigation Techniques”, “Regulation on calculation of Risk-Weighted Amounts of Securitizations” published in the Official Gazette No. 28337 dated June 28, 2012 (“Regulation”) and “Regulation Regarding Banks’ Shareholders’ Equity” published in the Official Gazette No. 28756 as of September 5, 2013”.

For the calculation of amounts subject to credit risk, the Bank classifies the loans in the related risk weight taking into consideration the risk classes, ratings and the risk mitigating factors. “Comprehensive collateral method” is used in considering the risk mitigating factors for the banking and trading book.

For the calculation of capital adequacy ratio; financial information, which is prepared in accordance with the current regulations, is used. Within the scope of this Regulation, trading books and banking books are defined and they become subject to credit risk and market risk calculations. In addition, market risk and operational risk calculations are included in the calculation of the capital adequacy ratio, in accordance with the existing regulation.

Amounts taken into consideration as deduction items are subject to credit risk calculations. Assets subject to amortization or impairment are taken into consideration after relevant nettings over their net book values for the calculation of risk-weighted assets.

In the calculation of the value at credit risk for non-cash loans and commitments, the receivables from counterparties in such transactions are weighted after netting with specific provisions that are classified under liabilities and calculated based on the Provisioning Regulation. The net amounts are then multiplied by the rates stated in the Article 5 of the Regulation and included in the relevant exposure category defined in the Regulation.

In accordance with Article 5 of the Regulation, counterparty credit risk is calculated for repo transactions, securities and commodities. The “Fair Value Valuation Method” mentioned in the communiqué is used for the counterparty credit risk calculation.

In the calculation of the value at credit risk for the derivative financial instruments which are in banking books, the receivables from counterparties are multiplied by the rates stated in the Regulation, reduced as per the “Regulation on Credit Risk Mitigation Techniques” and then included in the relevant exposure category defined in Regulation.

## Information related to financial position of the Group (continued)

### c. Information related to capital adequacy ratio:

|  | Risk Weights<br>Parent Bank |                  |                   |                   |                   |                  |                   |                  | Total              |
|--|-----------------------------|------------------|-------------------|-------------------|-------------------|------------------|-------------------|------------------|--------------------|
|  | 0%                          | 20%              | 50%               | 75%               | 100%              | 150%             | 200%              | 250%             |                    |
| <b>Amounts subject to credit risk</b>  | <b>41.218.048</b>           | <b>6.206.895</b> | <b>25.726.733</b> | <b>39.453.298</b> | <b>85.215.409</b> | <b>3.496.976</b> | <b>8.330.515</b>  | <b>702.203</b>   | <b>210.350.077</b> |
| <b>Risk classifications:</b>   |                             |                  |                   |                   |                   |                  |                   |                  |                    |
| Conditional and unconditional receivables from central governments or central banks                | 38.862.292                  | -                | 4.761.168         | -                 | -                 | -                | -                 | -                | 43.623.460         |
| Conditional and unconditional receivables from regional or local governments                       | -                           | 149              | -                 | -                 | -                 | -                | -                 | -                | 149                |
| Conditional and unconditional receivables from administrative units and non-commercial enterprises | -                           | -                | -                 | -                 | 1.067             | -                | -                 | -                | 1.067              |
| Conditional and unconditional receivables from multilateral development banks                      | 4.853                       | -                | -                 | -                 | -                 | -                | -                 | -                | 4.853              |
| Conditional and unconditional receivables from international organizations                         | -                           | -                | -                 | -                 | -                 | -                | -                 | -                | -                  |
| Conditional and unconditional receivables from banks and brokerage houses                          | -                           | 6.202.643        | 5.225.344         | -                 | 704.230           | -                | -                 | -                | 12.132.217         |
| Conditional and unconditional receivables from corporates  | -                           | -                | -                 | -                 | 74.798.145        | -                | -                 | -                | 74.798.145         |
| Conditional and unconditional retail receivables   | -                           | -                | -                 | 39.375.796        | 4.343.969         | -                | -                 | -                | 43.719.765         |
| Conditional and unconditional receivables secured by mortgages                                     | -                           | -                | 15.738.768        | -                 | -                 | -                | -                 | -                | 15.738.768         |
| Past due receivables   | -                           | -                | -                 | 77.502            | 708.163           | 470.184          | -                 | -                | 1.255.849          |
| Receivables defined as high risk category by the Regulator   | -                           | -                | 1.453             | -                 | 49.220            | 3.026.792        | 8.330.515         | 702.203          | 12.110.183         |
| Secured by mortgages   | -                           | -                | -                 | -                 | -                 | -                | -                 | -                | -                  |
| Securitization positions   | -                           | -                | -                 | -                 | -                 | -                | -                 | -                | -                  |
| Short-term receivables from banks, brokerage houses and corporates                                 | -                           | -                | -                 | -                 | -                 | -                | -                 | -                | -                  |
| Investments similar to collective investment funds   | -                           | -                | -                 | -                 | -                 | -                | -                 | -                | -                  |
| Other receivables  | 2.350.903                   | 4.103            | -                 | -                 | 4.610.615         | -                | -                 | -                | 6.965.621          |
| <b>Credit Risk Weighted Amounts</b>  | <b>-</b>                    | <b>1.241.378</b> | <b>12.863.366</b> | <b>29.589.973</b> | <b>85.215.409</b> | <b>5.245.463</b> | <b>16.661.029</b> | <b>1.755.507</b> | <b>152.572.125</b> |

|  | Risk Weights<br>Consolidated |                  |                   |                   |                   |                  |                   |                  | Total              |
|--|------------------------------|------------------|-------------------|-------------------|-------------------|------------------|-------------------|------------------|--------------------|
|  | 0%                           | 20%              | 50%               | 75%               | 100%              | 150%             | 200%              | 250%             |                    |
| <b>Amounts subject to credit risk</b>  | <b>41.553.931</b>            | <b>6.398.004</b> | <b>26.072.492</b> | <b>39.697.741</b> | <b>96.910.766</b> | <b>3.624.311</b> | <b>8.330.515</b>  | <b>702.203</b>   | <b>223.289.963</b> |
| <b>Risk classifications:</b>   |                              |                  |                   |                   |                   |                  |                   |                  |                    |
| Conditional and unconditional receivables from central governments or central banks                | 39.431.858                   | 5.801            | 4.795.633         | -                 | 24.270            | -                | -                 | -                | 44.257.562         |
| Conditional and unconditional receivables from regional or local governments                       | -                            | 149              | 104               | -                 | -                 | -                | -                 | -                | 253                |
| Conditional and unconditional receivables from administrative units and non-commercial enterprises | -                            | -                | -                 | -                 | 1.067             | -                | -                 | -                | 1.067              |
| Conditional and unconditional receivables from multilateral development banks                      | 4.853                        | -                | -                 | -                 | -                 | -                | -                 | -                | 4.853              |
| Conditional and unconditional receivables from international organizations                         | -                            | -                | -                 | -                 | -                 | -                | -                 | -                | -                  |
| Conditional and unconditional receivables from banks and brokerage houses                          | -                            | 6.387.951        | 5.536.534         | -                 | 951.135           | -                | -                 | -                | 12.875.620         |
| Conditional and unconditional receivables from corporates  | -                            | -                | -                 | -                 | 88.265.663        | 121.791          | -                 | -                | 88.387.454         |
| Conditional and unconditional retail receivables   | -                            | -                | -                 | 39.620.239        | 4.343.969         | -                | -                 | -                | 43.964.208         |
| Conditional and unconditional receivables secured by mortgages                                     | -                            | -                | 15.738.768        | -                 | -                 | -                | -                 | -                | 15.738.768         |
| Past due receivables   | -                            | -                | -                 | 77.502            | 719.812           | 475.728          | -                 | -                | 1.273.042          |
| Receivables defined as high risk category by the Regulator   | -                            | -                | 1.453             | -                 | 49.220            | 3.026.792        | 8.330.515         | 702.203          | 12.110.183         |
| Secured by mortgages   | -                            | -                | -                 | -                 | -                 | -                | -                 | -                | -                  |
| Securitization positions   | -                            | -                | -                 | -                 | -                 | -                | -                 | -                | -                  |
| Short-term receivables from banks, brokerage houses and corporates                                 | -                            | -                | -                 | -                 | -                 | -                | -                 | -                | -                  |
| Investments similar to collective investment funds   | -                            | -                | -                 | -                 | -                 | -                | -                 | -                | -                  |
| Other receivables  | 2.117.220                    | 4.103            | -                 | -                 | 2.555.630         | -                | -                 | -                | 4.676.953          |
| <b>Credit Risk Weighted Amounts</b>  | <b>-</b>                     | <b>1.279.601</b> | <b>13.036.246</b> | <b>29.773.306</b> | <b>96.910.766</b> | <b>5.436.468</b> | <b>16.661.030</b> | <b>1.755.508</b> | <b>164.852.925</b> |

## Information related to financial position of the Group (continued)

### d. Summary information about capital adequacy ratio:

|  | The Parent Bank   | Consolidated      | The Parent Bank   | Consolidated      |
|--|-------------------|-------------------|-------------------|-------------------|
|  | Current Period    | Current Period    | Prior Period      | Prior Period      |
| Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR) | 12.205.770        | 13.188.234        | 10.042.902        | 10.864.694        |
| Capital requirement for market risk (MRCR)                             | 130.250           | 131.992           | 197.468           | 310.892           |
| Capital requirement for operational risk (ORCR)                        | 817.197           | 920.434           | 802.350           | 910.617           |
| <b>Shareholders' equity</b>  | <b>24.705.420</b> | <b>25.558.364</b> | <b>22.084.113</b> | <b>23.141.967</b> |
| Shareholders' equity / (CRCR+ MRCR+ORCR) * 12,5*100                    | 15,03             | 14,36             | 16,00             | 15,32             |
| Tier 1 Capital /(( CRCR+ MRCR+ ORCR) *12,5*100)                        | 10,94             | 10,58             | -                 | -                 |
| Common Equity /(CRCR+ MRCR+ORCR) * 12,5*100                            | 11,62             | 11,23             | -                 | -                 |

### e. Information about shareholders' equity items:

|   | December 31,<br>2014 |
|---|----------------------|
| <b>Common Equity Tier 1 Capital</b>   |                      |
| Paid-in Capital to be Entitled for Compensation after All Creditors   | 4.347.051            |
| Share Premium   | 543.881              |
| Share Cancellation Profits  | -                    |
| Legal Reserves  | 10.807.976           |
| Other Comprehensive Income according to TAS   | 1.582.517            |
| Profit  | 3.439.976            |
| Net Current Period Profit   | 2.056.015            |
| Prior Period Profit   | 1.383.961            |
| Provisions for Possible Losses  | 180.211              |
| Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit  | 4.503                |
| Minority shares   | 462                  |
| <b>Common Equity Tier 1 capital before regulatory adjustments</b>   | <b>20.906.577</b>    |
| <b>Common Equity Tier 1 capital: regulatory adjustments</b>   |                      |
| Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS (-)   | -                    |
| Leasehold improvements on operational leases (-)  | 157.347              |
| Goodwill and intangible assets and related deferred tax liabilities (-)   | 286.987              |
| Net deferred tax assets / liabilities (-)   | -                    |
| Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)  | -                    |
| Investments in own common equity (-)  | -                    |
| Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) | -                    |
| Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)         | -                    |
| Mortgage servicing rights (amount above 10% threshold) (-)  | -                    |
| Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) (-)   | -                    |
| Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)   | -                    |
| The Portion of Net Long Position of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)                       | -                    |
| Mortgage servicing rights (amount above 10% threshold) (-)  | -                    |
| Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)   | -                    |
| Other items to be defined by the regulator (-)  | -                    |
| Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions (-)   | 475.638              |
| <b>Total regulatory adjustments to Common equity Tier 1</b>   | <b>919.972</b>       |
| <b>Common Equity Tier 1 capital</b>   | <b>19.986.605</b>    |

Information related to financial position of the Group (continued)

|  | December 31,<br>2014 |
|--|----------------------|
| <b>Additional Tier 1 capital: instruments</b>  |                      |
| Privileged stocks which are not included in common equity and share premiums   | -                    |
| Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus<br>(Issued or Obtained after 1.1.2014)  | -                    |
| Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus<br>(Issued or Obtained after 1.1.2014)  | -                    |
| Minority shares  | -                    |
| <b>Additional Tier 1 capital before regulatory adjustments</b>   | -                    |
| <b>Additional Tier 1 capital: regulatory adjustments</b>   | -                    |
| Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)   | -                    |
| Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions<br>where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of<br>above Tier I Capital (-)  | -                    |
| The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Consolidated<br>Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital (-)  | -                    |
| Other items to be Defined by the regulator (-)   | -                    |
| Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions (-)   | -                    |
| <b>Total regulatory adjustments to Additional Tier 1 capital</b>   | -                    |
| <b>Additional Tier 1 capital</b>   | -                    |
| <b>Regulatory adjustments to Common Equity</b>   |                      |
| Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the<br>Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy<br>Ratios of Banks (-)  | 1.147.949            |
| Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the<br>Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)  | -                    |
| <b>Tier 1 capital</b>  | <b>18.838.656</b>    |
| <b>Tier 2 capital</b>  |                      |
| Directly issued qualifying Tier 2 instruments (that are approved by the regulator) plus related stock surplus<br>(Issued or Obtained after 1.1.2014)   | -                    |
| Directly issued qualifying Tier 2 instruments (that are approved by the regulator) plus related stock surplus<br>(Issued or Obtained before 1.1.2014)  | 5.120.449            |
| Pledged sources on behalf of the Bank for the use of committed share capital increase by shareholders  | -                    |
| Generic Provisions   | 1.927.821            |
| Minority shares  | -                    |
| <b>Tier 2 capital before regulatory adjustments</b>  | <b>7.048.270</b>     |
| <b>Tier 2 capital: regulatory adjustments</b>  |                      |
| Direct and Indirect Investments of the Bank on its own Tier II Capital (-)   | -                    |
| Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions<br>where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of<br>above Tier I Capital (-)  | -                    |
| The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital<br>of Consolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued<br>Share Capital Exceeding the 10% Threshold of Tier I Capital (-) | -                    |
| Other items to be Defined by the regulator (-)   | -                    |
| <b>Total regulatory adjustments to Tier 2 capital</b>  | -                    |
| <b>Tier 2 capital</b>  | <b>7.048.270</b>     |

**Information related to financial position of the Group (continued)**

|  | <b>December 31,<br/>2014</b> |
|--|------------------------------|
| <b>Total capital</b>   | <b>25.886.926</b>            |
| Loans Granted against the Articles 50 and 51 of the Banking Law (-)  | 23.512                       |
| Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)  | 7.908                        |
| Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)  | 159.277                      |
| Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)   | -                            |
| Other items to be Defined by the regulator (-)   | 137.865                      |
| The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) | -                            |
| The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)                       | -                            |
| The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)                       | -                            |
| <b>Shareholders's equity</b>   | <b>25.558.364</b>            |
| <b>Amounts below the thresholds for deduction</b>  | <b>860.094</b>               |
| Remaining Total of Net Long Positions of the Investments in Own Fund Items of Consolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital  | -                            |
| Remaining total of net long positions of the investments in Tier I capital of Consolidated banks and Financial Institutions where the Bank owns more than 10% Or Less of the Tier I Capital  | -                            |
| Remaining mortgage servicing rights  | -                            |
| Net deferred tax assets arising from temporary differences   | 860.094                      |



**Information related to financial position of the Group (continued)**

|  | <b>December 31,<br/>2013</b> |
|--|------------------------------|
| <b>Core capital</b>  |                              |
| Paid-in capital  | 4.347.051                    |
| Nominal capital  | 4.347.051                    |
| Capital commitments (-)  | -                            |
| Adjustment to paid in capital  | -                            |
| Share premium  | 543.881                      |
| Share repeal   | -                            |
| Legal reserves   | 8.976.351                    |
| Adjustment to legal reserves   | -                            |
| Profit   | 4.586.936                    |
| Net Current period profit  | 3.658.952                    |
| Prior period profit  | 927.984                      |
| Provisions for possible losses up to 25% of core capital   | 209.470                      |
| Profit on sale of associates, subsidiaries and buildings <sup>(1)</sup>  | 298.614                      |
| Primary subordinated loans   | -                            |
| Minority shares  | 2.527                        |
| Loss that is not covered with reserves (-)   | -                            |
| Net current period loss  | -                            |
| Prior period loss  | -                            |
| Development cost of operating lease (-)  | 101.133                      |
| Intangible assets (-)  | 1.393.590                    |
| Deferred- assets for tax which exceeds 10% of core capital (-)   | -                            |
| Excess amount expressed in the Law (Article 56, 3rd paragraph) (-)   | -                            |
| Goodwill (Net)   | -                            |
| <b>Total core capital</b>  | <b>17.470.107</b>            |
| <b>Supplementary capital</b>   |                              |
| General provisions   | 1.520.873                    |
| 45% of increase in revaluation fund of movables  | -                            |
| 45% of increase in revaluation fund of fixed assets  | -                            |
| Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit   | 4.503                        |
| Primary Subordinated Debts excluding the portion included in Core Capital  | -                            |
| Secondary subordinated loans <sup>(2)</sup>  | 5.078.223                    |
| 45% of value increase fund of financial assets available for sale and associates and subsidiaries  | (172.325)                    |
| Adjustment to paid-in capital, profit reserves and previous years losses(except adjustment to legal reserves)  | -                            |
| Minority share   | -                            |
| <b>Total supplementary capital</b>   | <b>6.431.274</b>             |
| <b>Capital</b>   | <b>23.901.381</b>            |
| <b>Deductions from the capital</b>   | <b>759.414</b>               |
| Partnership share on non-consolidated banks and financial institutions.  | -                            |
| Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan           | 162.443                      |
| Banks and financial institutions to which equity method is applied, however, assets and liabilities are not consolidated   | 457.337                      |
| Loans extended being noncompliant with articles 50 and 51 of the Law   | 3.221                        |
| Net book value of properties owned, exceeding 50% bank's equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed | 6.638                        |
| Securitisations positions that is deducted-preferably-from the shareholders' equity  | -                            |
| Other  | 129.775                      |
| <b>Total shareholders' equity</b>  | <b>23.141.967</b>            |

## Information related to financial position of the Group (continued)

### Details on calculation in accordance with the temporary calculations on equity:

Adjustments to Common equity Tier 1 are performed according to the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

### Information on debt instruments included in the calculation of equity:

|  | 1  | 2  | 3  | 4  | 5  |
|--|--|--|--|--|--|
| Issuer   | UNICREDIT BANK   | BANK AUSTRIA   | MERRILL LYNCH  | CITIBANK   | YKB  |
| Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)                                     | -  | -  | -  | -  | XS0861979440/<br>US984848AB73  |
| Governing law(s) of the instrument   | BRSA   | BRSA   | BRSA   | BRSA   | BRSA / CMB / LONDON<br>STOCK EXCHANGE                                    |
| Regulatory treatment   | Supplementary Capital  | Supplementary Capital  | Supplementary Capital  | Supplementary Capital  | Supplementary Capital  |
| Transitional Basel III rules   | Yes  | Yes  | Yes  | Yes  | Yes  |
| Eligible at stand-alone / consolidated   | Stand alone -<br>Consolidated  | Stand alone -<br>Consolidated  | Stand alone -<br>Consolidated  | Stand alone -<br>Consolidated  | Stand alone -<br>Consolidated  |
| Instrument type (types to be specified by each jurisdiction)   | Loan   | Loan   | Loan   | Loan   | Bond   |
| Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)                      | 1.268  | 1.090  | 223  | 220  | 2.319  |
| Par value of instrument (Currency in million)  | 1.357  | 1.090  | 1.410  | 564  | 2.319  |
| <b>Accounting classification</b>   | Liability –<br>Subordinated Loans-<br>amortised cost                     | Liability –<br>Subordinated Loans-<br>amortised cost                     | Liability –<br>Subordinated Loans-<br>amortised cost                     | Liability –<br>Subordinated Loans-<br>amortised cost                     | Liability –<br>Subordinated Loans-<br>amortised cost                     |
| Original date of issuance  | January 9, 2013  | November 21, 2013  | March 31, 2006   | June 25, 2007  | December 6, 2012   |
| Perpetual or dated   | Dated  | Dated  | Dated  | Dated  | Dated  |
| Original maturity date   | 10 years   | 10 years   | 10 years   | 10 years   | 10 years   |
| Issuer call subject to prior BRSA approval   | Yes  | Yes  | Yes  | Yes  | Yes  |
| Optional call date, contingent call dates and redemption amount  | After 5th year   | After 5th year   | -  | -  | After 5th year   |
| Subsequent call dates, if applicable   | After 5th year   | After 5th year   | -  | -  | After 5th year   |
| <b>Coupons / dividends</b>   | 3 months   | 3 months   | 6 months   | 6 months   | 6 months   |
| Fixed or floating dividend/coupon  | Fixed  | Fixed  | Floating   | Floating   | Fixed  |
| Coupon rate and any related index  | 5,5  | 6,35   | EURIBOR + 3%   | EURIBOR + 2,78%  | 5,5  |
| Existence of a dividend stopper  | -  | -  | -  | -  | -  |
| Fully discretionary, partially discretionary or mandatory  | -  | -  | -  | -  | -  |
| Existence of step up or other incentive to redeem  | -  | -  | -  | -  | -  |
| Noncumulative or cumulative  | Noncumulative  | Noncumulative  | Noncumulative  | Noncumulative  | Noncumulative  |
| <b>Convertible or non-convertible</b>  | None   | None   | None   | None   | None   |
| If convertible, conversion trigger (s)   | -  | -  | -  | -  | -  |
| If convertible, fully or partially   | -  | -  | -  | -  | -  |
| If convertible, conversion rate  | -  | -  | -  | -  | -  |
| If convertible, mandatory or optional conversion   | -  | -  | -  | -  | -  |
| If convertible, specify instrument type convertible into   | -  | -  | -  | -  | -  |
| If convertible, specify issuer of instrument it converts into  | -  | -  | -  | -  | -  |
| <b>Write-down feature</b>  | None   | None   | None   | None   | None   |
| If write-down, write-down trigger(s)   | -  | -  | -  | -  | -  |
| If write-down, full or partial   | -  | -  | -  | -  | -  |
| If write-down, permanent or temporary  | -  | -  | -  | -  | -  |
| If temporary write-down, description of write-up mechanism   | -  | -  | -  | -  | -  |
| <b>Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)</b> | After the senior creditors, before the TIER 1 sub debt, same with TIER 2 | After the senior creditors, before the TIER 1 sub debt, same with TIER 2 | After the senior creditors, before the TIER 1 sub debt, same with TIER 2 | After the senior creditors, before the TIER 1 sub debt, same with TIER 2 | After the senior creditors, before the TIER 1 sub debt, same with TIER 2 |
| <b>Incompliance with article number 7 and 8 of "Own fund regulation"</b>   | Yes  | Yes  | Yes  | Yes  | Yes  |
| Details of incompliance with article number 7 and 8 of "Own fund regulation"   | 8-2-ğ  | 8-2-ğ  | 8-2-ğ  | 8-2-ğ  | 8-2-ğ  |

## Information related to financial position of the Group (continued)

### f. Approaches for assessment of adequacy of internal capital requirements for current and future activities

Internal capital adequacy assessment process (ICAAP) is carried out by continuous assessment of the risks to which the bank is or might be exposed and it is aimed to identify and maintain sufficient capital to cover these risks. Within this scope relevant policies and procedures were prepared, systems and methods were developed. The Bank documented its approaches on the process of assessing the internal capital requirements in YKB ICAAP Policy and YKB Risk Appetite Framework documents which were approved by its Board of Directors. The target capital adequacy ratio set within the scope of this process is a significant determining factor of the Bank's risk appetite.

In accordance with this approach, risk types for which economic capital is calculated were defined and necessary procedures were started to perform calculations. This assessment includes the credit risk, market risk, operational risk, financial investment risk, real estate risk, liquidity risk, reputational risk, strategic risk, counterparty credit risk, concentration risk and interest rate risk. The Bank regularly reports ICAAP documentations to BRSA approved by the Board of the Directors.

## II. Explanations on consolidated credit risk:

- a. Credit risk is the loss or the risk of the Parent Bank in case a counterparty can not fulfill its obligations stated in agreements where the Bank is at a side. The Parent Bank identifies loan limits for each customer considering statutory regulations, the internal scoring system, financial analysis reports and geographical and industry concentration and considering credit policies determined by Board of the Directors each year. The limits defined by the Board of Directors for each correspondent bank are followed-up daily by Treasury Management for the transactions related with placements with domestic and correspondent banks or treasury operations such as forward buy and sell transactions. Moreover, daily positions and limit controls of each Treasury Management employee who is authorised for transactions in the market are controlled by the system. During the loan granting process, liquid collaterals are preferred to the greatest extent possible. While granting of long term project finance loans, long term projections of the companies are analyzed both by financial analysis specialists and head office. Also the pricing of these commitments are decided by coordination with Treasury Management.

The Parent Bank also monitors limitations on single borrower and group of borrowers in accordance with the regulations. Loans and other receivables are monitored in terms of the credit worthiness of borrowers in accordance with the relevant legislation. In addition, the account status documents for new loans is controlled, and updated where if necessary.

Different rating systems are used for Small and Medium Sized Entities (SME) and Corporate/Commercial customers during the underwriting process of the Parent Bank. A separate rating model is used for the customers which operate in construction industry. The Bank uses scorecard system for its retail and credit card customers for the underwriting and limit management processes. The scorecard system was internally developed, and being updated and approved regularly.

Credit granting authorization levels are also determined in accordance with the rating of the customer in SME segment. By using this methodology; it is aimed to establish risk based optimization of credit processes through assigning the lower rated customer to higher authority levels whereas assigning higher rated customer to lower authority levels.

## Information related to financial position of the Group (continued)

Probability of default of a customer is calculated through this internally developed rating system. The rating concentration of Corporate/Commercial customers is as follows:

|                       | Current Period | Prior Period |
|-----------------------|----------------|--------------|
| Above average (1-4)   | 44,7%          | 41,3%        |
| Average (5+ -6)       | 47,1%          | 51,7%        |
| Below average (7+ -9) | 8,2%           | 7,0%         |

The Parent Bank takes the following criteria into consideration for the accounting of impaired and past due loans:

The loan is overdue more than 90 days.

The borrower is not able to pay at least one of the loans he received from the Bank (cross default)

Having a negative intelligence and bad-record for the borrower in the market.

Deterioration of the creditworthiness of the borrower.

The Parent Bank sets aside specific and general provisions with respect to “value adjustments” procedures in accordance with the Provisioning Regulation.

**Total amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types, are disclosed below for the relevant period:**

| Risk classifications:  | Current Period<br>Risk Amount <sup>(1)</sup> | Average<br>Risk Amount |
|--|--|------------------------|
| Conditional and unconditional receivables from central governments or central banks                | 46.429.829                                   | 36.179.090             |
| Conditional and unconditional receivables from regional or local governments                       | 253  | 703                    |
| Conditional and unconditional receivables from administrative units and non-commercial enterprises | 1.067  | 994                    |
| Conditional and unconditional receivables from multilateral development banks                      | 4.853  | 4.795                  |
| Conditional and unconditional receivables from international organizations                         | -  | -                      |
| Conditional and unconditional receivables from banks and brokerage houses                          | 12.820.765                                   | 13.173.540             |
| Conditional and unconditional receivables from corporates  | 92.013.803                                   | 77.621.535             |
| Conditional and unconditional retail receivables   | 44.237.200                                   | 44.749.607             |
| Conditional and unconditional receivables secured by mortgages                                     | 15.738.768                                   | 13.028.634             |
| Past due receivables   | 1.273.042                                    | 1.330.238              |
| Receivables defined as high risk category by the Regulator   | 12.148.089                                   | 10.866.631             |
| Secured by mortgages   | -  | -                      |
| Securitization positions   | -  | -                      |
| Short-term receivables from banks, brokerage houses and corporates                                 | -  | -                      |
| Investments similar to collective investment funds   | -  | -                      |
| Other receivables  | 4.676.953                                    | 6.978.217              |
| <b>Total</b>   | <b>229.344.622</b>                           | <b>203.933.984</b>     |

(2) Represents amounts before taking risk mitigating factors into considerations.

#### Information related to financial position of the Group (continued)

- b.** The Parent Bank has control limits over the positions of forwards, options and similar agreements. These positions are measured and managed by following their market values and by taking potential risk into considerations throughout their maturities, in accordance with Counterparty Credit Risk management. Limits are also calculated and dynamically managed by taking these potential risks into considerations. Daily market value calculations, limit controls, collateral assessments are performed and reported to the relevant departments within the Bank.

The Group may use its rights, as stated in the derivative agreements based on which the Bank realizes derivative transactions, in order to eliminate the credit risks that may arise due to being exposed to severe credit risk levels arising from fluctuations in the market.

- c.** In line with the Provisioning Regulation, if the cash risk of a customer is classified as nonperforming, the non-cash risk is also classified as nonperforming under the same group where the cash risks were already followed and specific provision is reserved.

Restructured loans are also classified and followed up according to the regulation on provisions considering the Bank's credit risk policies. Accordingly, the financial position and commercial operations of related customers are monitored, their principal and interest payments are followed up with the restructured repayment schedule and the necessary precautions are taken.

- d.** The Group's banking activities in foreign countries and credit transactions are subject to periodical follow-up in terms of the economic conditions of the related country and the evaluation of the creditworthiness of the customers and financial institutions. No material risks have been observed in scope of these operations.

- e.**
1. The proportion of the Parent Bank's top 100 and 200 cash loan balances in total cash loans is 21% and 28%.
  2. The proportion of the Parent Bank's top 100 and 200 non-cash loan balances in total non-cash loans is 47% and 58%.
  3. The proportion of the Parent Bank's cash and non-cash loan balances with the first 100 and 200 customers comprises of 23% and 30% of total cash loans and non-cash loans.

- f.** The Group provided a general loan loss provision amounting to TL 1.927.8211.927.821 (December 31, 2013 - TL 1.520.8731.520.873).

## Information related to financial position of the Group (continued)

### g. Risk profile according to the geographical concentration:

|  | Risk Classifications <sup>(1) (2)</sup> |              |              |              |                   |                   |                   |                   |                  |                   |                  | Total              |
|--|---|--------------|--------------|--------------|-------------------|-------------------|-------------------|-------------------|------------------|-------------------|------------------|--------------------|
|  | 1                                       | 2            | 3            | 4            | 5                 | 6                 | 7                 | 8                 | 9                | 10                | 11               |                    |
| <b>Current Period</b>                                      |   |              |              |              |                   |                   |                   |                   |                  |                   |                  |                    |
| Domestic   | 45.926.022                              | 253          | 1.067        | -            | 5.116.832         | 87.186.149        | 44.056.273        | 15.734.972        | 1.226.622        | 12.147.933        | 4.305.664        | <b>215.701.787</b> |
| EU countries   | 397.290                                 | -            | -            | 1.712        | 5.484.380         | 1.716.537         | 19.183            | 2.148             | 1.467            | 108               | 249.101          | <b>7.871.926</b>   |
| OECD countries <sup>(3)</sup>                              | -                                       | -            | -            | -            | 200.701           | 65.186            | 473               | 744               | 13.033           | -                 | -                | <b>280.137</b>     |
| Off-shore banking regions                                  | -                                       | -            | -            | -            | 390               | -                 | 18.603            | -                 | -                | -                 | -                | <b>18.993</b>      |
| USA, Canada  | 50.650                                  | -            | -            | 3.141        | 1.124.156         | 316.335           | 3.745             | -                 | -                | -                 | -                | <b>1.498.027</b>   |
| Other countries  | 55.867                                  | -            | -            | -            | 894.306           | 2.729.596         | 138.923           | 904               | 31.920           | 48                | 115.385          | <b>3.966.949</b>   |
| Investment and associates, subsidiaries and joint ventures | -                                       | -            | -            | -            | -                 | -                 | -                 | -                 | -                | -                 | 6.803            | <b>6.803</b>       |
| Undistributed Assets / Liabilities <sup>(4)</sup>          | -                                       | -            | -            | -            | -                 | -                 | -                 | -                 | -                | -                 | -                | -                  |
| <b>Total</b>   | <b>46.429.829</b>                       | <b>253</b>   | <b>1.067</b> | <b>4.853</b> | <b>12.820.765</b> | <b>92.013.803</b> | <b>44.237.200</b> | <b>15.738.768</b> | <b>1.273.042</b> | <b>12.148.089</b> | <b>4.676.953</b> | <b>229.344.622</b> |
|  |   |              |              |              |                   |                   |                   |                   |                  |                   |                  |                    |
|  | Risk Classifications <sup>(1) (2)</sup> |              |              |              |                   |                   |                   |                   |                  |                   |                  | Total              |
|  | 1                                       | 2            | 3            | 4            | 5                 | 6                 | 7                 | 8                 | 9                | 10                | 11               |                    |
| <b>Prior Period</b>  |   |              |              |              |                   |                   |                   |                   |                  |                   |                  |                    |
| Domestic   | 35.023.621                              | 299          | 894          | -            | 5.586.695         | 62.207.225        | 43.065.060        | 10.910.834        | 1.429.909        | 10.395.996        | 4.100.088        | <b>172.720.621</b> |
| EU countries   | 306.888                                 | -            | -            | 2.302        | 5.363.676         | 1.577.994         | 23.484            | 2.605             | 4.216            | 84                | -                | <b>7.281.249</b>   |
| OECD countries <sup>(3)</sup>                              | -                                       | -            | -            | -            | 251.856           | 62.117            | 835               | -                 | 24.640           | -                 | -                | <b>339.448</b>     |
| Off-shore banking regions                                  | -                                       | -            | -            | -            | 259               | -                 | 21.055            | -                 | -                | -                 | -                | <b>21.314</b>      |
| USA, Canada  | -                                       | -            | -            | 909          | 1.061.249         | 405.618           | 6.305             | 187               | 1.679            | -                 | -                | <b>1.475.947</b>   |
| Other countries  | 61.656                                  | 1.584        | -            | -            | 472.116           | 2.789.877         | 17.487            | 22.759            | 44.702           | 29                | 141.955          | <b>3.552.165</b>   |
| Investment and associates, subsidiaries and joint ventures | -                                       | -            | -            | -            | -                 | -                 | -                 | -                 | -                | -                 | 6.803            | <b>6.803</b>       |
| Undistributed Assets / Liabilities <sup>(4)</sup>          | -                                       | -            | -            | -            | -                 | -                 | -                 | -                 | -                | -                 | -                | -                  |
| <b>Total</b>   | <b>35.392.165</b>                       | <b>1.883</b> | <b>894</b>   | <b>3.211</b> | <b>12.735.851</b> | <b>67.042.831</b> | <b>43.134.226</b> | <b>10.936.385</b> | <b>1.505.146</b> | <b>10.396.109</b> | <b>4.248.846</b> | <b>185.397.547</b> |

(3) Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

(2) Includes credit risk amounts of total exposure before credit risk mitigation.

(3) OECD Countries other than EU countries, USA and Canada.

(4) Assets and liabilities are not allocated on a consistent basis.

- 1-Conditional and unconditional receivables from central governments or central banks
- 2-Conditional and unconditional receivables from regional or local governments
- 3-Conditional and unconditional receivables from administrative units and non-commercial enterprises
- 4-Conditional and unconditional receivables from multilateral development banks
- 5-Conditional and unconditional receivables from banks and brokerage houses
- 6-Conditional and unconditional receivables from corporates
- 7-Conditional and unconditional retail receivables
- 8-Conditional and unconditional receivables secured by mortgages
- 9-Past due receivables
- 10-Receivables defined as high risk category by the Regulator
- 11-Other receivables

## Information related to financial position of the Bank (continued)

### ğ. Risk profile according to sectors and counterparties:

|                                      | Risk Classifications <sup>(1),(2)</sup> |            |              |              |                   |                   |                   |                   |                  |                   |                  | TL                 | FC                 | Total              |
|--------------------------------------|---|------------|--------------|--------------|-------------------|-------------------|-------------------|-------------------|------------------|-------------------|------------------|--------------------|--------------------|--------------------|
|                                      | 1                                       | 2          | 3            | 4            | 5                 | 6                 | 7                 | 8                 | 9                | 10                | 11               |                    |                    |                    |
| Agricultural                         | -                                       | -          | -            | -            | -                 | 2.476.920         | 1.174.091         | 346.894           | 36.488           | 111.350           | -                | 538.966            | 3.606.777          | 4.145.743          |
| Farming and raising livestock        | -                                       | -          | -            | -            | -                 | 2.324.854         | 998.742           | 307.923           | 34.125           | 106.630           | -                | 447.190            | 3.325.084          | 3.772.274          |
| Forestry                             | -                                       | -          | -            | -            | -                 | 79.207            | 136.872           | 28.858            | 1.512            | 2.039             | -                | 39.284             | 209.204            | 248.488            |
| Fishing                              | -                                       | -          | -            | -            | -                 | 72.859            | 38.477            | 10.113            | 851              | 2.681             | -                | 52.492             | 72.489             | 124.981            |
| Manufacturing                        | -                                       | 76         | 21           | -            | -                 | 49.701.218        | 10.970.961        | 3.530.384         | 509.779          | 278.612           | 4.188            | 39.821.754         | 25.173.485         | 64.995.239         |
| Mining                               | -                                       | -          | -            | -            | -                 | 9.623.472         | 1.400.074         | 472.500           | 58.765           | 15.919            | 43               | 7.475.070          | 4.095.703          | 11.570.773         |
| Production                           | -                                       | 76         | 12           | -            | -                 | 31.718.050        | 9.159.912         | 2.952.750         | 444.598          | 259.405           | 4.145            | 24.540.211         | 19.998.737         | 44.538.948         |
| Electric, gas and water              | -                                       | -          | 9            | -            | -                 | 8.359.696         | 410.975           | 105.134           | 6.416            | 3.288             | -                | 7.806.473          | 1.079.045          | 8.885.518          |
| Construction                         | 5                                       | 30         | -            | -            | -                 | 11.976.028        | 4.174.582         | 1.837.326         | 138.926          | 57.458            | -                | 9.381.203          | 8.803.152          | 18.184.355         |
| Services                             | 46.429.824                              | 64         | 786          | 3.141        | 12.819.789        | 19.825.114        | 7.641.357         | 3.704.783         | 225.275          | 285.524           | 1.945.354        | 48.039.006         | 44.842.005         | 92.881.011         |
| Wholesale and retail trade           | -                                       | 1          | 3            | -            | 90.112            | 6.296.405         | 3.794.771         | 960.070           | 91.216           | 104.746           | -                | 2.990.295          | 8.347.029          | 11.337.324         |
| Hotel, food and beverage services    | -                                       | -          | 22           | -            | -                 | 2.008.736         | 1.005.817         | 1.041.452         | 16.899           | 46.069            | -                | 2.632.944          | 1.486.051          | 4.118.995          |
| Transportation and telecommunication | -                                       | -          | 2            | -            | -                 | 5.240.049         | 1.009.859         | 235.367           | 47.405           | 54.351            | -                | 4.284.418          | 2.302.615          | 6.587.033          |
| Financial institutions               | 46.429.824                              | 7          | 9            | 3.141        | 12.718.156        | 3.386.023         | 480.697           | 977.824           | 30.924           | 12.911            | 1.942.601        | 36.112.396         | 29.869.721         | 65.982.117         |
| Real estate and renting services     | -                                       | -          | -            | -            | 6.368             | 367.745           | 117.359           | 53.843            | 8.176            | 7.553             | -                | 337.444            | 223.600            | 561.044            |
| Self-employment services             | -                                       | -          | -            | -            | -                 | 403.180           | 357.891           | 76.700            | 9.402            | 21.198            | 95               | 189.551            | 678.915            | 868.466            |
| Education services                   | -                                       | -          | 600          | -            | -                 | 121.223           | 112.344           | 26.490            | 1.580            | 4.346             | -                | 28.944             | 237.639            | 266.583            |
| Health and social services           | -                                       | 56         | 150          | -            | 5.153             | 2.001.753         | 762.619           | 333.037           | 19.673           | 34.350            | 2.658            | 1.463.014          | 1.696.435          | 3.159.449          |
| Other                                | -                                       | 83         | 260          | 1.712        | 976               | 8.034.523         | 20.276.209        | 6.319.381         | 362.574          | 11.415.145        | 2.727.411        | 4.479.632          | 44.658.642         | 49.138.274         |
| <b>Total</b>                         | <b>46.429.829</b>                       | <b>253</b> | <b>1.067</b> | <b>4.853</b> | <b>12.820.765</b> | <b>92.013.803</b> | <b>44.237.200</b> | <b>15.738.768</b> | <b>1.273.042</b> | <b>12.148.089</b> | <b>4.676.953</b> | <b>102.260.561</b> | <b>127.084.061</b> | <b>229.344.622</b> |

(1) Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

(2) Includes credit risk amounts of total exposure before credit risk mitigation.

1- Claims on sovereigns and Central Banks

2- Claims on regional governments or local authorities

3- Claims on administrative bodies and other non-commercial undertakings

4- Claims on multilateral development banks

5- Claims on banks and intermediary institutions

6- Claims on corporates

7- Claims included in the regulatory retail portfolios

8- Claims secured by residential property

9- Past due loans

10- Higher risk categories decided by the Board

11- Other receivables

## Information related to financial position of the Group (continued)

### h. Risk profile according to remaining maturities:

| Risk classifications <sup>(1), (2)</sup>   | 1 month           | 1-3 month         | 3-6 month         | 6-12 month        | 1 year and over    | Total              |
|--|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| Conditional and unconditional receivables from central governments or central banks                | 21.660.728        | 1.120.789         | 1.254.410         | 2.481.776         | 19.820.664         | <b>46.338.367</b>  |
| Conditional and unconditional receivables from regional or local governments                       | -                 | -                 | 177               | -                 | 76                 | <b>253</b>         |
| Conditional and unconditional receivables from administrative units and non-commercial enterprises | 451               | -                 | 535               | -                 | 81                 | <b>1.067</b>       |
| Conditional and unconditional receivables from multilateral development banks                      | 2.008             | 554               | 1.153             | 1.138             | -                  | <b>4.853</b>       |
| Conditional and unconditional receivables from international organizations                         | -                 | -                 | -                 | -                 | -                  | -                  |
| Conditional and unconditional receivables from banks and brokerage houses                          | 2.492.672         | 1.602.969         | 4.294.835         | 940.049           | 3.490.240          | <b>12.820.765</b>  |
| Conditional and unconditional receivables from corporates  | 12.165.795        | 7.366.241         | 12.060.008        | 11.827.218        | 48.594.541         | <b>92.013.803</b>  |
| Conditional and unconditional retail receivables   | 1.098.436         | 2.316.762         | 12.308.438        | 5.099.874         | 23.413.689         | <b>44.237.199</b>  |
| Conditional and unconditional receivables secured by mortgages                                     | 261.088           | 1.300.545         | 1.261.959         | 894.535           | 12.020.641         | <b>15.738.768</b>  |
| Past due receivables   | -                 | -                 | -                 | -                 | -                  | -                  |
| Receivables defined as high risk category by the Regulator   | 21.924            | 273               | 23.756            | 1.029             | 12.101.107         | <b>12.148.089</b>  |
| Secured by mortgages   | -                 | -                 | -                 | -                 | -                  | -                  |
| Securitization positions   | -                 | -                 | -                 | -                 | -                  | -                  |
| Short-term receivables from banks, brokerage houses and corporates                                 | -                 | -                 | -                 | -                 | -                  | -                  |
| Investments similar to collective investment funds   | -                 | -                 | -                 | -                 | -                  | -                  |
| Other receivables  | -                 | -                 | -                 | -                 | -                  | -                  |
| <b>General Total</b>   | <b>37.703.102</b> | <b>13.708.133</b> | <b>31.205.271</b> | <b>21.245.619</b> | <b>119.441.039</b> | <b>223.303.164</b> |

(1) Includes credit risk amounts of total exposure before credit risk mitigation

(2) The table above does not include items without maturity.

- I. An international rating firm, Fitch Ratings' external risk ratings are used to determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". The international risk ratings are used for the exposures to central governments/central banks and for asset classes for which the counterparty resides in foreign countries.

Exposures to central governments and central banks which are not rated by Fitch Ratings are included in the calculation of capital adequacy as unrated. Receivables from residents in Turkey are classified as unrated. Risk weights of accounts which are not included in the trading accounts are classified by issuer's credit rating.



## Information related to financial position of the Group (continued)

Fitch Ratings' risk ratings as per the credit quality grades and the risk weights according to exposure categories are presented below:

| Credit Quality Grade | Fitch Ratings | Risk Classifications                   |   |   |  |                      |
|----------------------|---------------|--|---|---|--|----------------------|
|                      |               | Claims on sovereigns and Central Banks | Claims on administrative bodies and other non-commercial undertakings | Claims on banks and intermediary institutions |  | Claims on corporates |
|                      |               |  |   | Remaining maturity of claims under 3 months   | Remaining maturity of claims over 3 months |                      |
| 1                    | AAA           | 0%                                     | 20%   | 20%   | 20%  | 20%                  |
|                      | AA+           |  |   |   |  |                      |
|                      | AA            |  |   |   |  |                      |
|                      | AA-           |  |   |   |  |                      |
| 2                    | A+            | 20%                                    | 50%   | 20%   | 50%  | 50%                  |
|                      | A             |  |   |   |  |                      |
|                      | A-            |  |   |   |  |                      |
| 3                    | BBB+          | 50%                                    | 100%  | 20%   | 50%  | 100%                 |
|                      | BBB           |  |   |   |  |                      |
|                      | BBB-          |  |   |   |  |                      |
| 4                    | BB+           | 100%                                   | 100%  | 50%   | 100%                                       | 100%                 |
|                      | BB            |  |   |   |  |                      |
|                      | BB-           |  |   |   |  |                      |
| 5                    | B+            | 100%                                   | 100%  | 50%   | 100%                                       | 150%                 |
|                      | B             |  |   |   |  |                      |
|                      | B-            |  |   |   |  |                      |
| 6                    | CCC+          | 150%                                   | 150%  | 150%  | 150%                                       | 150%                 |
|                      | CCC           |  |   |   |  |                      |
|                      | CCC-          |  |   |   |  |                      |
|                      | CC            |  |   |   |  |                      |
|                      | C             |  |   |   |  |                      |
|                      | D             |  |   |   |  |                      |

## Information related to financial position of the Group (continued)

### i. Risk balances according to risk weights:

Total exposure amount before and after applying risk mitigation techniques and total amounts deducted from the capital which are calculated in accordance with the Appendix-1 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" are presented below:

| Risk Weights |  | 0%         | 20%       | 50%        | 75%        | 100%        | 150%      | 200%      | %250    | Total              | Deductions from the shareholders' equity |
|--------------|--|------------|-----------|------------|------------|-------------|-----------|-----------|---------|--------------------|--|
| 1            | Total exposure before credit risk mitigation | 41.458.812 | 6.404.034 | 28.278.335 | 39.970.731 | 100.515.545 | 3.668.247 | 8.346.715 | 702.203 | <b>229.344.622</b> | <b>328.562</b>                           |
| 2            | Total exposure after credit risk mitigation  | 41.553.931 | 6.398.004 | 26.072.492 | 39.697.741 | 96.910.766  | 3.624.311 | 8.330.515 | 702.203 | <b>223.289.963</b> | <b>328.562</b>                           |

## Information related to financial position of the Group (continued)

### j. Information according to sectors and counterparties:

For loans which are classified as impaired loans due to delay of collection of principal or interest by 90 days and above and/or negative risk assessments of creditworthiness of the debtor; "Specific Provision" is set aside in the accompanying financial statements as of December 31, 2014.

For loans which are classified as past due but not impaired loans due to delay of collection of principal or interest up to 90 days; "General Provision" is set aside in the accompanying financial statements as of December 31, 2014.

| Sectors / Counterparties             | Loans            |                  |                    |                     |
|--------------------------------------|------------------|------------------|--------------------|---------------------|
|                                      | Impaired Loans   | Past due         | General Provisions | Specific Provisions |
| <b>Agricultural</b>                  | <b>119.043</b>   | <b>213.130</b>   | <b>9.660</b>       | <b>86.632</b>       |
| Farming and raising livestock        | 108.502          | 200.964          | 8.909              | 79.383              |
| Forestry                             | 7.073            | 6.913            | 408                | 5.046               |
| Fishing                              | 3.468            | 5.253            | 343                | 2.203               |
| <b>Manufacturing</b>                 | <b>1.653.443</b> | <b>1.515.422</b> | <b>260.573</b>     | <b>1.155.778</b>    |
| Mining                               | 150.274          | 147.851          | 5.720              | 134.937             |
| Production                           | 1.478.299        | 1.352.196        | 252.328            | 1.005.438           |
| Electric, gas and water              | 24.870           | 15.375           | 2.525              | 15.403              |
| <b>Construction</b>                  | <b>478.408</b>   | <b>491.961</b>   | <b>106.011</b>     | <b>240.103</b>      |
| <b>Services</b>                      | <b>749.095</b>   | <b>1.006.579</b> | <b>84.982</b>      | <b>515.539</b>      |
| Wholesale and retail trade           | 353.170          | 327.656          | 40.971             | 232.882             |
| Hotel, food and beverage services    | 66.952           | 87.170           | 5.132              | 43.786              |
| Transportation and telecommunication | 145.816          | 275.275          | 10.398             | 117.279             |
| Financial institutions               | 67.894           | 164.435          | 23.898             | 40.819              |
| Real estate and renting services     | 42.484           | 25.116           | 879                | 26.324              |
| Self-employment services             | -                | -                | -                  | -                   |
| Education services                   | 7.286            | 6.820            | 324                | 5.232               |
| Health and social services           | 65.493           | 120.107          | 3.380              | 49.217              |
| <b>Other</b>                         | <b>1.760.844</b> | <b>1.302.559</b> | <b>39.301</b>      | <b>1.190.653</b>    |
| <b>Total</b>                         | <b>4.760.833</b> | <b>4.529.651</b> | <b>500.527</b>     | <b>3.188.705</b>    |

## Information related to financial position of the Group (continued)

### k. Information about value adjustments and changes in the loan impairment:

The Group provides specific provisions for loans which are overdue for 90 days or more by taking into account the collaterals received from customers in accordance with the Provisioning Regulation.

The Group provides general loan loss provision for loans classified as first and second group loan portfolio. This provision is calculated in accordance with the Provisioning Regulation.

|                       | Opening balance | Provision amounts set aside during the period | Reversal of provisions | Other adjustments <sup>(1)</sup> | Close out balance |
|-----------------------|-----------------|---|------------------------|----------------------------------|-------------------|
| 1 Specific provisions | 2.445.001       | 1.321.488                                     | (200.564)              | (459.644)                        | 3.106.281         |
| 2 General provisions  | 1.520.873       | 467.753                                       | (46.837)               | (13.968)                         | 1.927.821         |

(1) The figure represents the written off loans, foreign exchange differences and also includes non performing loan sales.

## Information related to financial position of the Group (continued)

### III. Explanations on consolidated market risk<sup>2</sup>

Risk management activities of the Parent Bank are carried out under the responsibility of Board of Directors in accordance with “Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks”.

In order to comply with the regulations, the Parent Bank set its activities related with market risk management in accordance with “Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” published in the Official Gazette no. 29057 dated July 11, 2014.

Market risk policies, which are approved by the Board of Directors of the Bank and updated annually, if needed; include limit, methodologies, processes and responsibilities. Market risk calculations for the trading portfolio are performed by using standard method and Value at Risk (VaR) method. VaR is calculated using historical simulation method and reported to the management on a daily basis and Executive Committee on a monthly basis. In order to keep the effect of interest rate and foreign currency fluctuations at minimum, the Bank enters into derivative transactions of which some of the derivative transactions are subject to hedge accounting applications.

The table below shows details of the market risk as of December 31, 2013 in accordance with “Regulation on Banks’ Internal Control and Risk Management Systems” and “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” published in the Official Gazette no. 28337 dated June 28, 2012.

#### (1) Explanations on consolidated market risk:

##### a. Information on market risk:

|  | Current Period   | Prior Period     |
|--|------------------|------------------|
| (I) Capital requirement against general market risk - standard method                    | 59.260           | 65.237           |
| (II) Capital requirement against specific risks - standard method                        | 3.137            | 40.521           |
| Capital requirement against specific risks of securitization positions– standard method  | -                | -                |
| (III) Capital requirement against currency exchange risk - standard method               | 22.927           | 120.679          |
| (IV) Capital requirement against commodity risks - standard method                       | 133              | 667              |
| (V) Capital requirement against exchange risks - standard method                         | -                | -                |
| (VI) Capital requirement against market risks of options - standard method               | 1.718            | 6.308            |
| (VII) Capital requirement against counterparty credit risks - standard method            | 44.817           | 77.480           |
| (VIII) Capital requirement against market risks of banks applying risk measurement model | -                | -                |
| (IX) Total capital requirement against market risk (I+II+III+IV+V+VI+VII+VIII)           | 131.992          | 310.892          |
| <b>(X) Value-at-market risk (12,5*VIII) or (12,5*IX)</b>                                 | <b>1.649.900</b> | <b>3.886.150</b> |

Information related to financial position of the Group (continued)

b. Average market risk table of calculated market risk at month ends:

|                                     | Current Period |                |                | Prior Period   |                |                |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                                     | Average        | Maximum        | Minimum        | Average        | Maximum        | Minimum        |
| Interest rate risk                  | 98.833         | 137.772        | 59.688         | 53.268         | 66.725         | 35.987         |
| Share price risk                    | 9.797          | 24.106         | 2.141          | 43.410         | 71.561         | 22.150         |
| Currency risk                       | 58.824         | 137.927        | 22.927         | 157.521        | 215.201        | 120.679        |
| Commodity risk                      | 191            | 316            | 49             | 1.354          | 2.565          | 667            |
| Settlement risk                     | -              | -              | -              | -              | -              | -              |
| Option risk                         | 1.620          | 3.935          | 389            | 2.049          | 6.308          | 318            |
| Counterparty credit risk            | 58.826         | 115.087        | 27.853         | 46.576         | 77.480         | 16.702         |
| <b>Total amount subject to risk</b> | <b>228.091</b> | <b>419.143</b> | <b>113.047</b> | <b>304.178</b> | <b>439.840</b> | <b>196.503</b> |

(2) Quantitative information on counterparty risk:

The "counterparty credit risk" is calculated for repurchase transactions and derivative transactions. In counterparty credit risk calculations, the fair value methodology is used according to the Appendix-2 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". In case of derivative transactions, the total of replacement costs and potential credit risks is considered as the exposure amount. The total of volatility, currency, credit quality levels and holding periods for marketable securities subject to repurchase and funding through repurchases are considered during the calculation of risk amount for repurchase transactions.

In counterparty credit risk calculations, credit limits are set by internal methods and fair value methodology is used for capital allocation calculations.

The Bank uses the same policy and procedures applicable to credit collateral and provisioning for counterparty credit risk.

In accordance with the counterparty risk policies the Bank does not have the risk of the opposite tendency.

Risk and collateral amounts are calculated daily. Changes applicable to market values are also revised using daily actuals.

Total counterparty credit risk from trading activities is TL 560.213560.213 for the year ended December 31, 2014.

|                                 | Current Period | Prior Period |
|---------------------------------|----------------|--------------|
| Interest rate contracts         | 134.142        | 182.300      |
| Foreign exchange rate contracts | 926.494        | 3.082.637    |
| Commodity contracts             | 5.062          | 3.708        |
| Equity shares related contracts | -              | 52.943       |
| Other                           | 1.159          | 2.080        |
| Gross Positive Fair Value       | 197.416        | 998.783      |
| Netting benefits                | -              | -            |
| Net current exposure amount     | -              | -            |
| Collateral received             | -              | -            |
| Net derivative position         | 197.416        | 998.783      |

## Information related to financial position of the Group (continued)

### (3) Explanations on calculation of capital requirements through a risk measurement model which is permitted to be used by the authorities;

Market risk is measured for trading portfolio and standard method and value at risk method are used.

#### IV. Explanations on operational risk:

The Bank calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2013, 2012 and 2011 year-end gross income balances of the Bank, in accordance with Section 4 of the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio" published in the Official Gazette No. 28337 dated June 28, 2012, namely "The Calculation of the Amount Subject to Operational Risk". As of December 31, 2014, the total amount subject to operational risk is TL 11.505.425 (December 31, 2013 - TL 11.382.718) and the amount of the related capital requirement is TL 920.434 (December 31, 2013 - TL 910.617).

|  | 2 Prior Period<br>value | 1 Prior Period<br>value | Current Period<br>value | Total / Total<br>number of<br>years for which<br>gross income is<br>positive | Rate (%) | Total      |
|--|-------------------------|-------------------------|-------------------------|--|----------|------------|
| Gross Income                                       | 5.863.663               | 7.048.382               | 5.496.635               | 6.136.227  | 15       | 920.434    |
| Amount subject to operational<br>risk (Total*12,5) |                         |                         |                         |  |          | 11.505.425 |

#### V. Explanations on consolidated currency risk:

The difference between the Group's foreign currency denominated and foreign currency indexed on- and off-balance sheet assets and liabilities is defined as the "Net Foreign Currency Position" and it is the basis of currency risk. Cross currency risk is also taken into consideration for the currency risk calculations and measurements.

The Group keeps the amount of currency risk exposure within the related legal limits and follows the exchange position on a daily/regular basis. In addition, although the internal exchange position limit is lower when compared to the related legal limit, there has not been any limit exceeding during the period. As an instrument of currency risk management, derivatives such as swap and forwards are used to reduce risk whenever needed. In order to guard against extreme volatility during the year stress tests are applied. Value at risk method is used for the measurement of foreign exchange risk.

The details of hedging of the foreign currency debt instruments and net foreign currency investment risk with derivative instruments are disclosed in section four Note XIII.

The Parent Bank's publicly announced foreign exchange bid rates as of the date of the financial statements and for the last five days prior to that date are as follows:

(Exchange rates presented as full TL)

|  | USD               | EUR               |
|--|-------------------|-------------------|
| <b>Balance sheet evaluation rate</b>                         | <b>TL 2,31890</b> | <b>TL 2,82070</b> |
| First day current bid rate                                   | TL 2,32350        | TL 2,83390        |
| Second day current bid rate                                  | TL 2,31820        | TL 2,82550        |
| Third day current bid rate                                   | TL 2,31770        | TL 2,83680        |
| Fourth day current bid rate                                  | TL 2,32090        | TL 2,83120        |
| Fifth day current bid rate                                   | TL 2,31650        | TL 2,83170        |
| <b>Arithmetic average of the last 31 days:</b>               | <b>TL 2,28790</b> | <b>TL 2,82070</b> |
| <b>Balance sheet evaluation rate as of<br/>Prior Period:</b> | <b>TL 2,13430</b> | <b>TL 2,93650</b> |

## Information related to financial position of the Group (continued)

### Information on currency risk of the Group:

|   | EUR                | USD                | Other Fc <sup>(4)</sup> | Total              |
|---|--------------------|--------------------|-------------------------|--------------------|
| <b>Current period</b>   |                    |                    |                         |                    |
| <b>Assets</b>   |                    |                    |                         |                    |
| Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey | 3.206.803          | 13.601.768         | 3.415.412               | 20.223.983         |
| Banks   | 1.249.224          | 1.562.328          | 129.818                 | 2.941.370          |
| Financial assets at fair value through profit or loss   | 22.159             | 141.494            | 1.651                   | 165.304            |
| Money market placements   | -                  | -                  | -                       | -                  |
| Available-for-sale financial assets   | 337.519            | 2.837.533          | 177.206                 | 3.352.258          |
| Loans <sup>(1)</sup>  | 13.253.753         | 32.770.407         | 1.173.273               | 47.197.433         |
| Investments in associates, subsidiaries and joint ventures  | -                  | -                  | 260.370                 | 260.370            |
| Held-to-maturity investments  | 488.213            | 3.130.433          | -                       | 3.618.646          |
| Hedging derivative financial assets   | -                  | -                  | -                       | -                  |
| Tangible assets   | 1.873              | -                  | 46.228                  | 48.101             |
| Intangible assets <sup>(6)</sup>  | -                  | -                  | -                       | -                  |
| Other assets <sup>(2)</sup>   | 3.219.273          | 2.417.882          | 239.186                 | 5.876.341          |
| <b>Total assets</b>   | <b>21.778.817</b>  | <b>56.461.845</b>  | <b>5.443.144</b>        | <b>83.683.806</b>  |
| <b>Liabilities</b>  |                    |                    |                         |                    |
| Bank deposits   | 364.814            | 1.207.246          | 109.256                 | 1.681.316          |
| Foreign currency deposits   | 16.037.788         | 25.016.814         | 1.990.719               | 43.045.321         |
| Funds from money market   | -                  | 2.365.914          | -                       | 2.365.914          |
| Funds borrowed from other financial institutions  | 8.197.968          | 10.755.354         | 392.087                 | 19.345.409         |
| Marketable securities issued  | 1.931.361          | 7.965.033          | 172.479                 | 10.068.873         |
| Miscellaneous payables  | 847.768            | 810.712            | 21.882                  | 1.680.362          |
| Hedging derivative financial liabilities  | 56.238             | 155.110            | 1                       | 211.349            |
| Other liabilities <sup>(3)</sup>  | 2.754.667          | 5.809.155          | 29.063                  | 8.592.885          |
| <b>Total liabilities</b>  | <b>30.190.604</b>  | <b>54.085.338</b>  | <b>2.715.487</b>        | <b>86.991.429</b>  |
| <b>Net on balance sheet position</b>  | <b>(8.411.787)</b> | <b>2.376.507</b>   | <b>2.727.657</b>        | <b>(3.307.623)</b> |
| <b>Net off balance sheet position<sup>(5)</sup></b>   | <b>8.411.045</b>   | <b>(2.572.236)</b> | <b>(2.136.115)</b>      | <b>3.702.694</b>   |
| Financial derivative assets   | 11.067.319         | 21.481.098         | 1.063.123               | 33.611.540         |
| Financial derivative liabilities  | 2.656.274          | 24.053.334         | 3.199.238               | 29.908.846         |
| <b>Net position</b>   | <b>(742)</b>       | <b>(195.729)</b>   | <b>591.542</b>          | <b>395.071</b>     |
| <b>Non-cash loans</b>   | <b>11.008.161</b>  | <b>20.171.147</b>  | <b>1.594.308</b>        | <b>32.773.616</b>  |
| <b>December 31, 2013</b>  |                    |                    |                         |                    |
| Total assets  | 24.124.237         | 43.499.837         | 5.128.667               | 72.752.741         |
| Total liabilities   | 30.281.374         | 47.804.855         | 2.389.806               | 80.476.035         |
| <b>Net on-balance sheet position</b>  | <b>(6.157.137)</b> | <b>(4.305.018)</b> | <b>2.738.861</b>        | <b>(7.723.294)</b> |
| <b>Net off-balance sheet position</b>   | <b>6.679.854</b>   | <b>4.310.856</b>   | <b>(2.254.260)</b>      | <b>8.736.450</b>   |
| Financial derivative assets   | 9.972.379          | 19.485.667         | 1.599.119               | 31.057.165         |
| Financial derivative liabilities  | 3.292.525          | 15.174.811         | 3.853.379               | 22.320.715         |
| <b>Net position</b>   | <b>522.717</b>     | <b>5.838</b>       | <b>484.601</b>          | <b>1.013.156</b>   |
| <b>Non-cash loans</b>   | <b>9.460.817</b>   | <b>13.877.395</b>  | <b>1.850.746</b>        | <b>25.188.958</b>  |

(1) Includes FX indexed loans amounting to TL 5.103.4015.103.401 (December 31, 2013 - TL 4.714.0074.714.007) which have been disclosed as TL in the financial statements.

(2) Does not include foreign currency prepaid expenses amounting to TL 76.01176.011 (December 31, 2013 - TL 60.63460.634).

(3) Does not include foreign currency denominated general provisions for foreign currencies, hedged funds and marketable securities valuation differences under equity.

(4) Other FC column also includes gold balance.

(5) Forward transactions classified as commitments are also included.

(6) In accordance with the principles of the "Regulation on the calculation and implementation of foreign currency net general position/equity standard ratio by banks on consolidated and non-consolidated basis" foreign currency intangible assets amounted TL 22.54722.547 is not considered in the calculation.

## Information related to financial position of the Group (continued)

### Currency risk sensitivity analysis <sup>(1)</sup>:

The table below represents the sensitivity of the Parent Bank to 15% change of currency exchange rates (USD and EUR).

15% change is the assumption of parity change that may be faced in a possible fluctuation used in the Bank's stress test scenarios.

|  | Current Period                    | Prior Period                      |
|--|-----------------------------------|-----------------------------------|
| Change in currency exchange rates <sup>(1)</sup> | Profit/loss effect <sup>(2)</sup> | Profit/loss effect <sup>(2)</sup> |
| (+) 15%  | (144.811)                         | (67.460)                          |
| (-) 15%  | 144.811                           | 67.460                            |

(1) Disclosed above is that of the Parent Bank.

(2) Excluding tax effect.

## VI. Explanations on consolidated interest rate risk:

The monitoring of interest rate sensitive assets and liabilities of the Parent Bank, including sensitivity analysis regarding the effect of interest rate fluctuations on the financial statements, is performed by the risk management department for all interest sensitive instruments over carrying values. The results are presented monthly to the Asset and Liability Management function of the Executive Committee. By using sensitivity and scenario analyses, the possible effects by interest rate volatility are analyzed. In these analyses possible losses are calculated for the change in fair value of interest sensitive products by applying shock tests to interest rates.

Sensitivity analyses are also calculated daily within Market Risk reporting on the basis of maturity and foreign exchange types and reported to Senior Management by checking them against the determined limits.

The Parent Bank utilizes TL/foreign currency and TL/TL interest rate swap transactions in order to limit the interest and foreign currency risk arising from short-term deposit and long-term consumer loans within the TL balance sheet. Furthermore, in order to reduce the repricing mismatch in the foreign currency balance sheet, foreign currency/foreign currency interest rate swaps are utilized.

## Information related to financial position of the Group (continued)

### a. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates:

| Current Period  | Up to 1 Month       | 1-3 Months         | 3-12 Months       | 1-5 Years         | 5 Years and Over  | Non interest bearing | Total               |
|---|---------------------|--------------------|-------------------|-------------------|-------------------|----------------------|---------------------|
| <b>Assets</b>   |                     |                    |                   |                   |                   |                      |                     |
| Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey | 1.299.884           | -                  | -                 | -                 | -                 | 21.914.781           | 23.214.665          |
| Banks   | 1.110.996           | 550.000            | 111.757           | 48.172            | -                 | 2.070.950            | 3.891.875           |
| Financial assets at fair value through profit/loss  | 314.255             | 235.234            | 530.835           | 72.393            | 52.955            | 4.120                | 1.209.792           |
| Money market placements   | 1.568.750           | -                  | -                 | -                 | -                 | -                    | 1.568.750           |
| Available-for-sale financial assets   | 1.047.104           | 3.378.655          | 7.682.621         | 3.630.719         | 2.821.837         | 113.161              | 18.674.097          |
| Loans   | 27.855.780          | 28.760.233         | 34.508.942        | 26.280.409        | 8.128.703         | 1.273.042            | 126.807.109         |
| Held-to-maturity investments  | 46.660              | 427.237            | 1.074.105         | 789.647           | 3.218.720         | -                    | 5.556.369           |
| Other assets  | 2.516.136           | 844.399            | 1.609.333         | 2.852.046         | 516.122           | 5.698.012            | 14.036.048          |
| <b>Total assets</b>   | <b>35.759.565</b>   | <b>34.195.758</b>  | <b>45.517.593</b> | <b>33.673.386</b> | <b>14.738.337</b> | <b>31.074.066</b>    | <b>194.958.705</b>  |
| <b>Liabilities</b>  |                     |                    |                   |                   |                   |                      |                     |
| Bank deposits   | 1.457.118           | 161.294            | 487.985           | 31.301            | -                 | 406.111              | 2.543.809           |
| Other deposits  | 56.203.929          | 27.010.539         | 4.620.103         | 814.992           | 207.116           | 16.230.143           | 105.086.822         |
| Funds from money market   | 7.737.585           | 725.194            | 116.054           | 195.919           | -                 | -                    | 8.774.752           |
| Miscellaneous payables  | -                   | -                  | -                 | -                 | -                 | 8.738.336            | 8.738.336           |
| Marketable securities issued  | 420.397             | 4.587.074          | 3.391.721         | 3.845.451         | 1.111.294         | -                    | 13.355.937          |
| Funds borrowed from other financial institutions  | 5.372.903           | 6.630.970          | 7.953.400         | 970.563           | 489.120           | -                    | 21.416.956          |
| Other liabilities and shareholders' equity  | 317.984             | 1.918.550          | 996.160           | 73.707            | 4.794.907         | 26.940.785           | 35.042.093          |
| <b>Total liabilities</b>  | <b>71.509.916</b>   | <b>41.033.621</b>  | <b>17.565.423</b> | <b>5.931.933</b>  | <b>6.602.437</b>  | <b>52.315.375</b>    | <b>194.958.705</b>  |
| <b>Balance sheet long position</b>  | -                   | -                  | <b>27.952.170</b> | <b>27.741.453</b> | <b>8.135.900</b>  | -                    | <b>63.829.523</b>   |
| <b>Balance sheet short position</b>   | <b>(35.750.351)</b> | <b>(6.837.863)</b> | -                 | -                 | -                 | <b>(21.241.309)</b>  | <b>(63.829.523)</b> |
| Off-balance sheet long position   | 3.363.730           | 13.286.633         | 1.540.302         | -                 | -                 | -                    | 18.190.665          |
| Off-balance sheet short position  | -                   | -                  | -                 | (18.178.694)      | (408.169)         | -                    | (18.586.863)        |
| <b>Total position</b>   | <b>(32.386.621)</b> | <b>6.448.770</b>   | <b>29.492.472</b> | <b>9.562.759</b>  | <b>7.727.731</b>  | <b>(21.241.309)</b>  | <b>(396.198)</b>    |

| Prior Period  | Up to 1 Month       | 1-3 Months        | 3-12 Months       | 1-5 Years         | 5 Years and Over  | Non interest bearing | Total               |
|---|---------------------|-------------------|-------------------|-------------------|-------------------|----------------------|---------------------|
| <b>Assets</b>   |                     |                   |                   |                   |                   |                      |                     |
| Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey | -                   | -                 | -                 | -                 | -                 | 18.990.749           | 18.990.749          |
| Banks   | 1.576.200           | 595.363           | 160.720           | 268.580           | -                 | 1.408.263            | 4.009.126           |
| Financial assets at fair value through profit/loss  | 608.910             | 302.170           | 646.595           | 78.505            | 16.094            | 70.890               | 1.723.164           |
| Money market placements   | 2.928.447           | -                 | -                 | -                 | -                 | -                    | 2.928.447           |
| Available-for-sale financial assets   | 1.480.255           | 1.812.665         | 3.020.550         | 3.394.855         | 3.376.746         | 124.291              | 13.209.362          |
| Loans   | 21.973.749          | 23.795.066        | 27.748.966        | 19.201.312        | 6.716.765         | 1.188.072            | 100.623.930         |
| Held-to-maturity investments  | 428.297             | 1.858.200         | 1.379.856         | 213.437           | 3.009.813         | -                    | 6.889.603           |
| Other assets  | 1.858.357           | 868.024           | 1.674.081         | 2.093.455         | 291.986           | 5.149.560            | 11.935.463          |
| <b>Total assets</b>   | <b>30.854.215</b>   | <b>29.231.488</b> | <b>34.630.768</b> | <b>25.250.144</b> | <b>13.411.404</b> | <b>26.931.825</b>    | <b>160.309.844</b>  |
| <b>Liabilities</b>  |                     |                   |                   |                   |                   |                      |                     |
| Bank deposits   | 593.418             | 668.674           | 436.095           | 134.031           | -                 | 540.702              | 2.372.920           |
| Other deposits  | 51.418.875          | 13.295.777        | 6.169.525         | 964.820           | 333.389           | 13.926.475           | 86.108.861          |
| Funds from money market   | 3.085.947           | 1.558.317         | 673.882           | 287.140           | -                 | -                    | 5.605.286           |
| Miscellaneous payables  | -                   | -                 | -                 | -                 | -                 | 7.268.299            | 7.268.299           |
| Marketable securities issued  | 42.903              | 914.694           | 2.459.188         | 3.649.025         | 1.357.033         | -                    | 8.422.843           |
| Funds borrowed from other financial institutions  | 4.382.703           | 8.251.969         | 5.071.658         | 1.361.128         | 224.109           | -                    | 19.291.567          |
| Other liabilities and shareholders' equity  | 307.644             | 1.871.236         | 1.131.914         | 35.018            | 4.406.619         | 23.487.637           | 31.240.068          |
| <b>Total liabilities</b>  | <b>59.831.490</b>   | <b>26.560.667</b> | <b>15.942.262</b> | <b>6.431.162</b>  | <b>6.321.150</b>  | <b>45.223.113</b>    | <b>160.309.844</b>  |
| <b>Balance sheet long position</b>  | -                   | <b>2.670.821</b>  | <b>18.688.506</b> | <b>18.818.982</b> | <b>7.090.254</b>  | -                    | <b>47.268.563</b>   |
| <b>Balance sheet short position</b>   | <b>(28.977.275)</b> | -                 | -                 | -                 | -                 | <b>(18.291.288)</b>  | <b>(47.268.563)</b> |
| Off-balance sheet long position   | 5.300.906           | 10.419.510        | 424.881           | -                 | -                 | -                    | 16.145.297          |
| Off-balance sheet short position  | -                   | -                 | -                 | (14.324.820)      | (1.247.341)       | -                    | (15.572.161)        |
| <b>Total position</b>   | <b>(23.676.369)</b> | <b>13.090.331</b> | <b>19.113.387</b> | <b>4.494.162</b>  | <b>5.842.913</b>  | <b>(18.291.288)</b>  | <b>573.136</b>      |



## Information related to financial position of the Group (continued)

### b. Average interest rates for monetary financial instruments:

The following average interest rates of the Group are calculated by weighting the rates with their principal amounts outstanding as of the balance sheet date.

| Current Period  | EUR  | USD  | Yen  | TL    |
|---|------|------|------|-------|
|   | %    | %    | %    | %     |
| <b>Assets<sup>(1)</sup></b>   |      |      |      |       |
| Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey | -    | -    | -    | 1,30  |
| Banks   | 1,06 | 1,90 | -    | 10,75 |
| Financial assets at fair value through profit/loss  | 1,97 | 4,41 | -    | 8,27  |
| Money market placements   | -    | -    | -    | 11,73 |
| Available-for-sale financial assets   | 5,49 | 6,28 | -    | 9,98  |
| Loans   | 4,55 | 5,00 | 5,20 | 13,50 |
| Held-to-maturity investments  | 3,77 | 5,51 | -    | 9,81  |
| <b>Liabilities<sup>(1)</sup></b>  |      |      |      |       |
| Bank deposits   | 1,42 | 0,47 | -    | 10,34 |
| Other deposits  | 1,95 | 2,11 | 1,82 | 10,74 |
| Funds from money market   | -    | 0,85 | -    | 9,47  |
| Miscellaneous payables  | -    | -    | -    | -     |
| Marketable securities issued  | 2,12 | 3,57 | -    | 7,85  |
| Funds borrowed from other financial institutions  | 1,58 | 3,33 | 3,02 | 9,48  |

(1) Does not include demand/non-interest transactions.

| Prior Period  | EURO | USD  | Yen  | TL    |
|---|------|------|------|-------|
|   | %    | %    | %    | %     |
| <b>Assets<sup>(1)</sup></b>   |      |      |      |       |
| Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey | 0,01 | -    | -    | -     |
| Banks   | 2,43 | 1,22 | -    | 8,18  |
| Financial assets at fair value through profit/loss  | 2,34 | 4,59 | -    | 8,53  |
| Money market placements   | 0,50 | -    | -    | 8,48  |
| Available-for-sale financial assets   | 5,41 | 6,75 | -    | 9,36  |
| Loans   | 4,88 | 4,97 | 4,93 | 12,35 |
| Held-to-maturity investments  | 4,26 | 5,47 | -    | 8,93  |
| <b>Liabilities<sup>(1)</sup></b>  |      |      |      |       |
| Bank deposits   | 1,38 | 2,03 | -    | 8,02  |
| Other deposits  | 2,76 | 2,86 | 2,72 | 9,05  |
| Funds from money market   | -    | 0,89 | -    | 9,01  |
| Miscellaneous payables  | -    | -    | -    | -     |
| Marketable securities issued  | 1,50 | 4,55 | -    | 8,13  |
| Funds borrowed from other financial institutions  | 2,05 | 3,38 | 2,99 | 8,90  |

(1) Does not include demand/non-interest transactions.

## Information related to financial position of the Group (continued)

### c. Interest rate risk arising from banking accounts:

The sensitivity analysis regarding the effect of interest rate fluctuations on the financial statements is performed for all interest earning assets and interest bearing liabilities.

Interest rate risk resulting from banking books comprise of repricing risk, yield curve risk, and basis risk.

Interest rate risk arising from banking book is measured in accordance with "The regulation of measurement and assessment of interest rate risk by standard shock method arising from banking accounts", published in the Official Gazette No. 28034 dated August 23, 2011 and legal limit of this measurement is monitored and reported monthly. Proportional amount of capital is provided in line with the same level of Interest rate risk arising from banking accounts.

Interest rate risk is measured and monitored monthly by market risk management. Duration analysis, gap analysis, basis points value analysis, scenario analysis and simulation of net interest income are performed and reported monthly to Asset Liability Management function of the Executive Committee. Interest sensitivity is measured most appropriately using the duration distribution map for every type of product. Investment decisions are done by taking into account the interest rate measurements. The maturity and interest risk for products with uncertain maturities is effectively measured using the behavioral analysis.

Economic value differences resulting from interest rate fluctuations of the Parent Bank as of December 31, 2014 are presented in the table below in accordance with the "Regulation of measurement and assessment of interest rate risk by standard shock method arising from banking accounts".

| Currency <sup>(1)</sup>           | Applied shock<br>(+/- x basis points) | Gains/Losses       | Gains/SE-Losses/SE |
|-----------------------------------|---------------------------------------|--------------------|--------------------|
| TRY                               | (+)500 bp                             | (1.859.156)        | (7,53)%            |
| TRY                               | (-)400 bp                             | 1.777.453          | 7,19%              |
| EUR                               | (+)200 bp                             | (108.509)          | (0,44) %           |
| EUR                               | (-)200 bp                             | 146.928            | 0,59%              |
| USD                               | (+)200 bp                             | 18.473             | 0,07%              |
| USD                               | (-)200 bp                             | 115.327            | 0,47%              |
| <b>Total (for negative shock)</b> |                                       | <b>2.039.708</b>   | <b>8,26%</b>       |
| <b>Total (for positive shock)</b> |                                       | <b>(1.949.192)</b> | <b>(7,89)%</b>     |

(1) The interest rate risk disclosed above is that of the Parent Bank.

## Information related to financial position of the Group (continued)

### VII. Explanation on share certificates position risk from banking book:

#### 1. Comparison of the carrying, fair and market values of equity shares:

Group has no unconsolidated subsidiaries and joint venture quoted in Borsa Istanbul as of December 31, 2014.

#### 2. Information on realised gains/losses, revaluation surpluses and unrealised gains/losses on equity securities and results included in core and supplementary capitals:

None.

### VIII. Explanations on consolidated liquidity risk:

Liquidity risk covers the inability to fund increases in assets or to meet liabilities when they are due and other risks arising from transactions undertaken in illiquid markets. These risks contain maturity mismatch risk, emergency risk and market liquidity risk.

The main objective of the Parent Bank's overall liquidity management is to ensure the continuity of the Bank's payment obligations and sustain the level of payments availability in crisis time without risking the value and the brand name of the Bank. For this reason, two different models are defined: the current situation liquidity management and emergency situation liquidity management.

The current situation liquidity risk is monitored by the reports of short and long term liquidity. Short-term liquidity position is monitored on a daily basis including the legal Liquidity Adequacy Reports as to whether the position is within legal limits. Long-term liquidity position aims to ensure the financial stability of the balance sheet and is monitored on a monthly basis. On a monthly basis, the Asset and Liability Management function within the scope of the meetings of the Executive Board evaluates the Parent Bank's liquidity position and actions are taken when necessary.

In cases when the future financial events require more liquidity than the Bank's daily liquidity needs, "Emergency Situation Liquidity Plan" is considered where duties and responsibilities are defined in detail. Liquidity stress test scenarios are used to measure the Bank's resistance to unexpected situations.

The Parent Bank issues bonds and obtains long-term bank loans to overcome the current short-term funding of the banking sector.

In accordance with the "Regulation on Measurement and Evaluation of Liquidity Adequacy of the Banks" published in the Official gazette numbered 26333 dated November 1, 2006 by BRSA, effective from June 1, 2007, liquidity ratio, calculated weekly and monthly, have to be at least 80% for the foreign currency asset / liability and 100% for the total asset / liability. Liquidity ratios realized in 2014 and 2013 are disclosed below.

| Current Period <sup>(1)</sup> | First-term period (Weekly) |        | Second-term period (Monthly) |        |
|-------------------------------|----------------------------|--------|------------------------------|--------|
|                               | FC                         | Total  | FC                           | Total  |
| Average %                     | 176,78                     | 148,55 | 129,41                       | 108,89 |
| Highest %                     | 252,17                     | 164,87 | 158,85                       | 114,85 |
| Lowest %                      | 132,76                     | 135,78 | 107,44                       | 102,67 |

| Prior Period <sup>(1)</sup> | First-term period (Weekly) |        | Second-term period (Monthly) |        |
|-----------------------------|----------------------------|--------|------------------------------|--------|
|                             | FC                         | Total  | FC                           | Total  |
| Average %                   | 178,20                     | 151,90 | 123,96                       | 111,46 |
| Highest %                   | 236,28                     | 173,32 | 163,48                       | 124,31 |
| Lowest %                    | 128,64                     | 133,90 | 102,19                       | 101,56 |

(1) The table disclosed above is that of the Parent Bank.

## Information related to financial position of the Group (continued)

### Breakdown of assets and liabilities according to their remaining maturities:

|   | DemandUp to 1 Month |                     | 1-3<br>months       | 3-12<br>months    | 1-5<br>years      | 5 years<br>and over | Unclassified<br>(1)(2) | Total              |
|---|---------------------|---------------------|---------------------|-------------------|-------------------|---------------------|------------------------|--------------------|
| <b>Current Period</b>   |                     |                     |                     |                   |                   |                     |                        |                    |
| <b>Assets</b>   |                     |                     |                     |                   |                   |                     |                        |                    |
| Cash (cash in vault, effectives,<br>cash in transit, cheques<br>purchased) and Balances<br>with the Central Bank of the<br>Republic of Turkey | 5.794.005           | 17.420.660          | -                   | -                 | -                 | -                   | -                      | 23.214.665         |
| Banks   | 2.070.950           | 1.105.351           | 534.862             | 122.668           | 58.044            | -                   | -                      | 3.891.875          |
| Financial assets at fair value<br>through profit or loss  | 83                  | 175.398             | 175.560             | 479.366           | 276.271           | 99.077              | 4.037                  | 1.209.792          |
| Money market placements   | -                   | 1.568.750           | -                   | -                 | -                 | -                   | -                      | 1.568.750          |
| Available-for-sale financial<br>assets  | 69.551              | 274                 | 992.520             | 3.345.796         | 5.292.982         | 8.929.364           | 43.610                 | 18.674.097         |
| Loans   | -                   | 20.004.603          | 12.380.436          | 26.926.042        | 39.570.094        | 26.652.892          | 1.273.042              | 126.807.109        |
| Held-to-maturity Investments  | -                   | 46.660              | 82.744              | 60.395            | 1.803.357         | 3.563.213           | -                      | 5.556.369          |
| Other assets <sup>(1)</sup>   | 2.507.330           | 2.059.337           | 870.641             | 1.627.618         | 3.147.921         | 557.056             | 3.266.145              | 14.036.048         |
| <b>Total assets</b>   | <b>10.441.919</b>   | <b>42.381.033</b>   | <b>15.036.763</b>   | <b>32.561.885</b> | <b>50.148.669</b> | <b>39.801.602</b>   | <b>4.586.834</b>       | <b>194.958.705</b> |
| <b>Liabilities</b>  |                     |                     |                     |                   |                   |                     |                        |                    |
| Bank deposits   | 406.111             | 1.457.118           | 161.294             | 487.985           | 31.301            | -                   | -                      | 2.543.809          |
| Other deposits  | 16.230.143          | 56.203.929          | 27.010.539          | 4.620.103         | 814.992           | 207.116             | -                      | 105.086.822        |
| Funds borrowed from other<br>financial institutions   | -                   | 1.786.742           | 1.991.449           | 11.622.321        | 3.589.937         | 2.426.507           | -                      | 21.416.956         |
| Funds from money market   | -                   | 7.737.585           | 725.194             | 116.054           | 195.919           | -                   | -                      | 8.774.752          |
| Marketable securities issued  | -                   | 97.556              | 1.351.038           | 4.057.358         | 5.733.957         | 2.116.028           | -                      | 13.355.937         |
| Miscellaneous payables  | 7.574.394           | 962.465             | 99.120              | 98.025            | 372               | 3                   | 3.957                  | 8.738.336          |
| Other liabilities <sup>(2)</sup>  | 400.466             | 509.024             | 412.717             | 832.301           | 3.805.710         | 5.466.710           | 23.615.165             | 35.042.093         |
| <b>Total liabilities</b>  | <b>24.611.114</b>   | <b>68.754.419</b>   | <b>31.751.351</b>   | <b>21.834.147</b> | <b>14.172.188</b> | <b>10.216.364</b>   | <b>23.619.122</b>      | <b>194.958.705</b> |
| <b>Net liquidity gap</b>  | <b>(14.169.195)</b> | <b>(26.373.386)</b> | <b>(16.714.588)</b> | <b>10.727.738</b> | <b>35.976.481</b> | <b>29.585.238</b>   | <b>(19.032.288)</b>    | <b>-</b>           |
| <b>Prior Period</b>   |                     |                     |                     |                   |                   |                     |                        |                    |
| Total assets  | 7.481.529           | 37.574.592          | 14.713.967          | 25.471.860        | 39.058.746        | 31.719.917          | 4.289.233              | <b>160.309.844</b> |
| Total liabilities   | 16.247.289          | 62.486.139          | 17.470.562          | 20.867.130        | 14.352.892        | 8.253.890           | 20.631.942             | <b>160.309.844</b> |
| <b>Net liquidity gap</b>  | <b>(8.765.760)</b>  | <b>(24.911.547)</b> | <b>(2.756.595)</b>  | <b>4.604.730</b>  | <b>24.705.854</b> | <b>23.466.027</b>   | <b>(16.342.709)</b>    | <b>-</b>           |

- (1) Assets that are necessary for continuance of banking activities and that cannot be liquidated in the short-term, such as fixed and intangible assets, investments in associates, subsidiaries, assets held for sale stationary stocks, prepaid expenses and loans under follow-up, are classified in this column.
- (2) Shareholders' equity is presented under the "Other liabilities" item in the "Unclassified" column.

## Information related to financial position of the Group (continued)

### Breakdown of financial liabilities according to their remaining contractual maturities:

The maturity distribution of values at contracted maturity date of non-derivative financial liabilities is presented below. Maturity segments also include the interests of related assets and liabilities.

| Current Period <sup>(1)</sup>                       | Demand and up to<br>1 month | 1-3<br>months     | 3-12 months       | 1-5 years         | Above 5<br>years  | Total              |
|---|-----------------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| <b>Liabilities</b>                                  |                             |                   |                   |                   |                   |                    |
| Deposits  | 74.661.139                  | 27.538.017        | 5.241.649         | 902.827           | 258.342           | 108.601.974        |
| Funds borrowed from other financial<br>Institutions | 1.804.779                   | 2.073.840         | 12.262.271        | 4.724.601         | 2.839.650         | 23.705.141         |
| Funds from money market                             | 7.754.623                   | 727.017           | 119.420           | 205.234           | -                 | 8.806.294          |
| Subordinated loans                                  | -                           | 58.857            | 279.392           | 3.058.077         | 5.591.020         | 8.987.346          |
| Marketable securities issued                        | 121.481                     | 1.396.802         | 4.264.818         | 6.518.278         | 2.149.795         | 14.451.174         |
| <b>Total</b>  | <b>84.342.022</b>           | <b>31.794.533</b> | <b>22.167.550</b> | <b>15.409.017</b> | <b>10.838.807</b> | <b>164.551.929</b> |

(1) Maturities of non-cash loans are described in Note 3 (iv) of Section V.

| Prior Period <sup>(1)</sup>                         | Demand and up to<br>1 month | 1-3<br>months     | 3-12 months       | 1-5 years         | Above 5<br>years | Total              |
|---|-----------------------------|-------------------|-------------------|-------------------|------------------|--------------------|
| <b>Liabilities</b>                                  |                             |                   |                   |                   |                  |                    |
| Deposits  | 68.537.766                  | 14.643.476        | 6.818.324         | 1.363.732         | 421.669          | 91.784.967         |
| Funds borrowed from other financial<br>institutions | 1.576.953                   | 680.871           | 10.768.294        | 4.998.264         | 1.655.275        | 19.679.657         |
| Funds from money market                             | 3.096.150                   | 1.567.308         | 678.563           | 298.811           | -                | 5.640.832          |
| Subordinated loans                                  | -                           | 75.410            | 287.226           | 3.277.800         | 5.465.517        | 9.105.953          |
| Marketable securities issued                        | 64.493                      | 919.819           | 2.115.859         | 4.722.781         | 1.421.062        | 9.244.014          |
| <b>Total</b>  | <b>73.275.362</b>           | <b>17.886.884</b> | <b>20.668.266</b> | <b>14.661.388</b> | <b>8.963.523</b> | <b>135.455.423</b> |

(2) Maturities of non-cash loans are described in Note 3 (iv) of Section V.

### IX. Explanations on securitization positions:

None.

### X. Credit risk mitigation techniques:

The Group does not use on-balance and off-balance sheet netting for the calculation of credit risk mitigation factors.

The Group applies credit risk mitigation according to the comprehensive method in compliance with the article 34 of the "Regulation on Credit Risk Mitigation Techniques". Only cash and cash equivalent collaterals are taken into account for the purpose of credit risk migration.

Credit derivatives are not taken into consideration for credit risk mitigation techniques.

Cash and cash equivalent collaterals considered for the mitigating the credit risk, are taken into account at their nominal values. Standard margin is applied where currencies of exposure and the collateral are different.

Mortgage collaterals considered for mitigating the credit risk are taken into account with the expertise value (which are also reviewed by the expert group of the Bank) determined by CMB licensed experts. Based on these values of the collaterals, total amount of credit risk is determined in accordance with the maximum Loan-to-Value ratio set by BRSA. For the guarantees that are taken to mitigate the credit risk, credit worthiness of the guarantor is measured.

### Information related to financial position of the Group (continued)

The Parent Bank carries out its activities in accordance with the BRSA Communiqué for the valuation of the loans granted for financing of a real estate.

Cheques and notes in connection with a real business transaction are taken into consideration to mitigate the credit risk.

In order to use bank guarantee as collateral for a credit risk; it is required to have a counterparty limit on behalf of the guarantor bank and not to have mismatch of the maturity and the amount of the guarantee and the credit risk.

In the process of credit allocation, cash blockage guarantees, pledges, mortgages, guarantees and warranties are considered as risk-reducing collaterals.

The Group's exposure to risks is measured and monitored periodically by using internationally recognized methods, in accordance with international and local regulations and internal policies. With regards to the limitation of risks, also internal limits are employed besides regulatory limits. Possible changes that may occur in the economic environment are taken into account for determining these limits.

### Information about guarantees according to risk classifications:

| Risk classifications   | Amount <sup>(1)</sup> | Financial guarantees <sup>(2)</sup> | Other / Physical guarantees <sup>(2)</sup> | Guarantees and credit derivatives <sup>(2)</sup> |
|--|-----------------------|-------------------------------------|--|--|
| Conditional and unconditional receivables from central governments or central banks                | 47.824.642            | 2.363.879                           | -  | -  |
| Conditional and unconditional receivables from regional or local governments                       | 850                   | -                                   | -  | -  |
| Conditional and unconditional receivables from administrative units and non-commercial enterprises | 13.935                | -                                   | -  | -  |
| Conditional and unconditional receivables from multilateral development banks                      | 190.172               | -                                   | -  | -  |
| Conditional and unconditional receivables from international organizations                         | -                     | -                                   | -  | -  |
| Conditional and unconditional receivables from banks and brokerage houses                          | 39.612.259            | 11.723                              | -  | -  |
| Conditional and unconditional receivables from corporates  | 250.345.367           | 4.498.706                           | -  | 53.910   |
| Conditional and unconditional retail receivables   | 111.311.495           | 342.916                             | -  | 20.332   |
| Conditional and unconditional receivables secured by mortgages                                     | 16.094.730            | -                                   | -  | -  |
| Past due receivables   | 1.273.042             | -                                   | -  | -  |
| Receivables defined in high risk category by the Regulator   | 12.247.440            | 44.349                              | -  | 26   |
| Securities collateralized by mortgages   | -                     | -                                   | -  | -  |
| Securitization positions   | -                     | -                                   | -  | -  |
| Short-term receivables from banks, brokerage houses and corporates                                 | -                     | -                                   | -  | -  |
| Investments similar to collective investment funds   | -                     | -                                   | -  | -  |
| Other Receivables  | 4.676.956             | -                                   | -  | -  |
| <b>Total</b>   | <b>483.590.888</b>    | <b>7.261.573</b>                    | <b>-</b>                                   | <b>74.268</b>                                    |

(3) Figures represent the total amount of credit risks prior to the risk mitigating calculations as per the "Regulation on Credit Risk Mitigation Techniques".

(4) Figures represent the total amount of collaterals which are taken into consideration for the risk mitigating calculations. Other risk reducing items are not included in this table such as; mortgages, pledges, guarantees and warranties.

## Information related to financial position of the Group (continued)

### XI. Strategies and policies of the risk management system:

Risk management strategy of the Parent Bank includes measurement and monitoring of the risks with the methods that are defined in accordance with the international standards and local regulations. Also it includes having a sustainable growth in the framework of optimized capital use in accordance with the principle of keeping a balanced risk and return approach.

Risk Management Department including the sub-departments of "Credit Risk Control and Operational Risk Management", "Market Risk Management" and "Credit Risk Management", reports to the Board of Directors through the Audit Committee.

Credit risk rating models are mainly used to measure and monitor the credit risk. The rating model is used in day to day activities of the Bank such as; for the evaluation of new credit applications, determination of credit approval authority levels and monitoring the performance of the existing customer portfolio. Performance of the rating model is monitored by a validation team on a regular basis.

Reports related to the loan portfolio of the Bank are distributed to the relevant departments within the Bank, on a regular basis. Expected loss calculations for the Bank's loan portfolio are performed and used for determining the objectives and policies of the Bank.

Market Risk Analysis unit is responsible for measuring, monitoring and distributing the results of the market risk to the relevant departments within the Bank, as well as reviewing the valuation calculations of financial instruments, which are subject to market risk, in accordance with accounting standards.

The Parent Bank's exposure to risks is measured and monitored periodically by using internationally recognized methods, in accordance with international regulations, local regulations and internal policies. In addition to the regulatory limits, there are also internal limits set to measure and monitor the risk. Possible changes that may occur in the economic environment are taken into account for determining these limits.

### XII. Explanations on the presentation of financial assets and liabilities at fair values:

The following table summarises the carrying values and fair values of some financial assets and liabilities of the Group. The carrying value represents the acquisition costs and accumulated interest accruals of corresponding financial assets or liabilities.

|  | Carrying value     |                    | Fair value         |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | Current Period     | Prior Period       | Current period     | Prior period       |
| <b>Financial assets</b>                          | <b>156.498.200</b> | <b>127.660.468</b> | <b>160.077.923</b> | <b>129.086.493</b> |
| Due from money market                            | 1.568.750          | 2.928.447          | 1.568.750          | 2.928.447          |
| Banks  | 3.891.875          | 4.009.126          | 3.895.771          | 4.017.743          |
| Available-for-sale financial assets              | 18.674.097         | 13.209.362         | 18.674.097         | 13.209.362         |
| Held-to-maturity investments                     | 5.556.369          | 6.889.603          | 5.818.301          | 6.888.193          |
| Loans  | 126.807.109        | 100.623.930        | 130.121.004        | 102.042.748        |
| <b>Financial liabilities</b>                     | <b>157.912.409</b> | <b>129.945.471</b> | <b>158.543.370</b> | <b>130.146.903</b> |
| Bank deposits                                    | 2.543.809          | 2.372.920          | 2.540.157          | 2.378.151          |
| Other deposits                                   | 105.086.822        | 86.108.861         | 105.304.517        | 86.180.373         |
| Funds borrowed from other financial institutions | 21.416.956         | 19.291.567         | 21.513.899         | 19.307.177         |
| Subordinated loans                               | 6.770.549          | 6.480.981          | 6.855.936          | 6.556.485          |
| Marketable securities issued                     | 13.355.937         | 8.422.843          | 13.590.525         | 8.456.418          |
| Miscellaneous payables                           | 8.738.336          | 7.268.299          | 8.738.336          | 7.268.299          |

### Information related to financial position of the Group (continued)

The fair values of deposits, banks, securities issued and funds borrowed from other financial institutions are determined by calculating the discounted cash flows using the current market interest rates.

The fair value of held-to-maturity assets is determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The expected fair value of loans and receivables is determined by calculating the discounted cash flows using the current market interest rates for the loans with fixed interest rates. For the loans with floating interest rates (such as overdrafts and credit card receivables), it is assumed that the carrying value approaches to the fair value.

TFRS 7, "Financial Instruments: Disclosures", requires classification of line items at fair value presented at the financial statements according to the defined levels. These levels depend on the observability of data used for fair value calculations. Classification for fair value is generated as followed below:

Level 1: Assets or liabilities with prices recorded (unadjusted) in active markets

Level 2: Assets or liabilities that are excluded in the Level 1 of recorded prices directly observable by prices or indirectly observable derived through prices observable from similar assets or liabilities

Level 3: Assets and liabilities where no observable market data can be used for valuation

According to these classification principles stated, the Group's classification of financial assets and liabilities carried at their fair value are as follows:

| Current Period   | Level 1           | Level 2          | Level 3 | Total             |
|--|-------------------|------------------|---------|-------------------|
| <b>Financial assets at fair value through profit or (loss)</b> | <b>99.271</b>     | <b>1.110.521</b> | -       | <b>1.209.792</b>  |
| Government debt securities                                     | 95.151            | -                | -       | 95.151            |
| Share certificates   | 4.037             | -                | -       | 4.037             |
| Trading derivative financial assets                            | -                 | 1.110.521        | -       | 1.110.521         |
| Other marketable securities                                    | 83                | -                | -       | 83                |
| <b>Available-for-sale financial assets</b>                     | <b>16.376.461</b> | <b>2.291.442</b> | -       | <b>18.667.903</b> |
| Government debt securities                                     | 16.284.654        | -                | -       | 16.284.654        |
| Other marketable securities <sup>(1)</sup>                     | 91.807            | 2.291.442        | -       | 2.383.249         |
| <b>Hedging derivative financial assets</b>                     | -                 | <b>256.146</b>   | -       | <b>256.146</b>    |
| <b>Total assets</b>  | <b>16.475.732</b> | <b>3.658.109</b> | -       | <b>20.133.841</b> |
| Trading derivative financial liabilities                       | -                 | 860.326          | -       | 860.326           |
| Marketable securities issued (net)                             | -                 | 1.163.996        | -       | 1.163.996         |
| Hedging derivative financial liabilities                       | -                 | 440.448          | -       | 440.448           |
| <b>Total liabilities</b>                                       | -                 | <b>2.464.770</b> | -       | <b>2.464.770</b>  |

- (1) As of December 31, 2014, non-listed share certificates accounted at cost in accordance with TAS 39 amounting to TL 6.1946.194 is not included.



## Information related to financial position of the Group (continued)

| Prior Period   | Level 1           | Level 2          | Level 3 | Total             |
|--|-------------------|------------------|---------|-------------------|
| <b>Financial assets at fair value through profit or (loss)</b> | <b>125.857</b>    | <b>1.597.307</b> | -       | <b>1.723.164</b>  |
| Government debt securities                                     | 54.967            | -                | -       | 54.967            |
| Share certificates   | 20.719            | -                | -       | 20.719            |
| Trading derivative financial assets                            | -                 | 1.596.112        | -       | 1.596.112         |
| Other marketable securities                                    | 50.171            | 1.195            | -       | 51.366            |
| <b>Available-for-sale financial assets</b>                     | <b>11.389.340</b> | <b>1.813.832</b> | -       | <b>13.203.172</b> |
| Government debt securities                                     | 11.278.626        | -                | -       | 11.278.626        |
| Other marketable securities <sup>(1)</sup>                     | 110.714           | 1.813.832        | -       | 1.924.546         |
| <b>Hedging derivative financial assets</b>                     | -                 | <b>467.627</b>   | -       | <b>467.627</b>    |
| <b>Total assets</b>  | <b>11.515.197</b> | <b>3.878.766</b> | -       | <b>15.393.963</b> |
| Trading derivative financial liabilities                       |                   | 863.633          |         | <b>863.633</b>    |
| Hedging derivative financial liabilities                       |                   | 386.395          |         | <b>386.395</b>    |
| <b>Total liabilities</b>                                       | -                 | <b>1.250.028</b> | -       | <b>1.250.028</b>  |

- (1) As of December 31, 2013, non-listed share certificates accounted at cost in accordance with TAS 39 amounting to TL 6.1906.190 is not included.

In the current year, there is no transfer between Level 1 and Level 2.

### XIII. Explanations on hedge accounting:

The Group applies the following hedge accounting models as of December 31, 2014:

- Fair value Hedge ("FVH")
- Cash Flow Hedge ("CFH")

Cross currency interest rate swaps are used as hedging instrument in FVH. Interest rate swaps and cross currency swaps are used as hedging instrument in CFH. Contractual amounts and the fair values as at December 31, 2014 of these hedging instruments are presented in the table below:

|  | Notional <sup>(1)</sup> | Current Period |                | Notional <sup>(1)</sup> | Prior Period   |                |
|--|-------------------------|----------------|----------------|-------------------------|----------------|----------------|
|  |                         | Asset          | Liability      |                         | Asset          | Liability      |
| <b>Hedging instrument</b>                      |                         |                |                |                         |                |                |
| Interest rate swap / cross currency swap (CFH) | 20.360.998              | 78.251         | 439.791        | 17.508.859              | 160.252        | 386.395        |
| Cross currency interest rate swap (FVH)        | 481.084                 | 177.895        | 657            | 1.104.763               | 307.375        | -              |
| <b>Total</b>                                   | <b>20.842.082</b>       | <b>256.146</b> | <b>440.448</b> | <b>18.613.622</b>       | <b>467.627</b> | <b>386.395</b> |

- (1) Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 21.105.415 (December 31, 2013 - TL 19.015.071) the total notional of derivative financial assets amounting to TL 41.947.497 (December 31, 2013 - TL 37.628.693) is accounted for in off-balance sheet under "Hedging Derivative Financial Instruments" line item.

## Information related to financial position of the Group (continued)

The fair valuation methodology of the derivatives presented in the above table is disclosed in detail in the accounting principles section of these financial statements in Section III. Part IV.

### Fair value hedge accounting:

Starting from March 1, 2009, the Parent Bank has hedged the possible fair value effects of changes in market interest rates on part of its fixed interest TL mortgage and car loan portfolios and fair value effects of changes in foreign exchange rates on part of its foreign currency denominated funding by using cross-currency interest rate swaps. The Bank selected to apply macro FVH accounting for such relationship in accordance with TAS 39.

The impact of application of FVH accounting is summarized below;

| Current Period                     |   |  |  |                                      |           |  |
|------------------------------------|---|--|--|--------------------------------------|-----------|--|
| Type of hedging instrument         | Hedged item (asset and liability)   | Nature of hedged risks                                   | Fair value difference / adjustment of the hedged item <sup>(1)</sup> | Net fair value of the <sup>(2)</sup> |           | Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) <sup>(3)</sup> |
|                                    |   |  |  | Asset                                | Liability |  |
| Cross currency interest rate swaps | Fixed interest TL mortgage and car loan portfolios and foreign currency funds | Fixed interest and changes in foreign exchange rate risk | (10.516)   | 177.895                              | -         | (5.403)  |

- (1) The amount refers to the fair value of the hedged item calculated for the TL fixed interest mortgage and car loans in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency fundings and cross-currency swaps are reflected to the income statement in foreign exchange gains / losses line item.
- (2) The amounts include the foreign exchange differences and net straight line interest accruals of the related derivatives.
- (3) The ineffective portion of the mentioned hedging transaction is TL 2.913.

| Prior Period                       |   |  |  |                                      |           |  |
|------------------------------------|---|--|--|--------------------------------------|-----------|--|
| Type of hedging instrument         | Hedged item (asset and liability)   | Nature of hedged risks                                   | Fair value of the hedged item <sup>(1)</sup> | Net fair value of the <sup>(2)</sup> |           | Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) <sup>(3)</sup> |
|                                    |   |  |  | Asset                                | Liability |  |
| Cross currency interest rate swaps | Fixed interest TL mortgage and car loan portfolios and foreign currency funds | Fixed interest and changes in foreign exchange rate risk | (5.113)                                      | 307.375                              | -         | (153.748)  |

- (4) The amount refers to the fair value of the hedged item calculated for the TL fixed interest mortgage and car loans in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency fundings and cross-currency swaps are reflected to the income statement in foreign exchange gains / losses line item.
- (5) The amounts include the foreign exchange differences and net straight line interest accruals of the related derivatives.
- (6) The ineffective portion of the mentioned hedging transaction is TL 10.397.

At the inception date, the Parent Bank documents the relationship between the hedging instruments and hedged items required by the FVH accounting application in accordance with TAS 39 and its own risk management policies and principles. Every individual relationship is approved and documented in the same methodology. In accordance with TAS 39, the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies. In the effectiveness tests, the fair values of the hedged item are calculated using the same assumptions used in calculation of fair values of the derivatives.

The effectiveness tests are performed prospectively and retrospectively on a monthly basis. At the inception date the effectiveness tests are performed prospectively. If the underlying hedge does not conform to the FVH accounting requirements (out of the 80% - 125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation, the adjustments made to the carrying value (amortized cost) of the hedged item are amortized with the straight line method and recognized in the profit and loss accounts within the remaining maturity. In addition if the hedging instrument is sold or closed before its maturity, the amount of the fair value adjustments of the hedged items are amortized to profit and loss accounts with the straight line method within the remaining maturity.

## Information related to financial position of the Group (continued)

### Cash flow hedge accounting:

The Parent Bank started to apply macro cash flow hedge accounting from January 1, 2010 onwards in order to hedge its cash flow risk from floating interest rate liabilities. The hedging instruments are USD, EUR and TL interest rate swaps and cross currency swaps with floating receive, fixed pay legs, and the hedged item is the cash outflows due to financing of interests of repricing USD, EUR and TL deposits, borrowings and repos.

The impact of application of CFH accounting is summarized below:

| Current Period             |   |   |  |           |  |
|----------------------------|---|---|--|-----------|--|
| Type of hedging instrument | Hedged item (asset and liability)       | Nature of hedged risks                                  | Net fair value of the hedging instrument |           | Net gain/(loss) recognized in hedging funds <sup>(1)</sup> |
|                            |   |   | Asset                                    | Liability |  |
| Interest rate swaps        | Customer deposits, borrowings and repos | Cash flow risk due to the changes in the interest rates | 78.251                                   | 439.791   | (297.009)  |
|                            |   |   |  |           | (181.892)  |

(4) Includes deferred tax impact.

(5) Includes tax and foreign exchange differences.

(6) The ineffective portion of the mentioned hedging transaction is TL 12.225.

| Priod Period               |                                   |   |  |           |  |
|----------------------------|-----------------------------------|---|--|-----------|--|
| Type of hedging instrument | Hedged item (asset and liability) | Nature of hedged risks                                  | Net fair value of the hedging instrument |           | Net gain/(loss) recognized in hedging funds <sup>(1)</sup> |
|                            |                                   |   | Asset                                    | Liability |  |
| Interest rate swaps        | Customer deposits and repos       | Cash flow risk due to the changes in the interest rates | 160.252                                  | 386.395   | (115.117)  |
|                            |                                   |   |  |           | 445.696  |

(4) Includes deferred tax impact.

(5) Includes tax and foreign exchange differences.

(6) The ineffective portion of the mentioned hedging transaction is TL 434.

At the inception date, the Parent Bank documents the relationship between the hedging instruments and hedged items required by the CFH accounting application in accordance with TAS 39 and its own risk management policies and principles. Every individual relationship is approved and documented in the same way. In accordance with TAS 39, the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies.

The effectiveness tests are performed on a monthly basis. If the underlying hedge does not conform to the CFH accounting requirements (out of the 80%-125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation or the hedging instrument is sold or closed before its maturity, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs or is no longer expected to occur. When the hedged forecasted transactions are no longer expected to occur, the net cumulative gain or loss is reclassified from other comprehensive income to profit and loss.

## Information related to financial position of the Group (continued)

### Net Investment Hedge

The Group hedges part of the currency translation risk of net investments in foreign operations through foreign currency borrowings. The Group's Euro denominated borrowing is designated as a hedge of the net investment in the Group's certain EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at December 31, 2014 is EUR 275 million (December 31, 2013 - EUR 275 million). The foreign exchange loss of TL 215.653215.653 net-off tax (December 31, 2013 - TL 241.119241.119 foreign exchange loss), on translation of the borrowing to TL at the statement of financial position date is recognized in "hedging reserves" in equity.

#### XIV. Explanations on the activities carried out on behalf of others and fiduciary transactions:

The Group carries out trading, custody, management and consulting services on behalf of customers and on their account. The Group has no fiduciary transactions.

#### XV. Explanations on consolidated operating segments:

The Group carries out its banking operations through three main business units:

- (1) Retail Banking
- (2) Corporate and Commercial Banking
- (3) Private Banking and Wealth Management.

The Parent Bank's Retail Banking activities include card payment systems, SME (small medium size enterprises) banking and individual banking. Retail Banking products and services offered to customers include card payment systems, consumer loans (including general purpose loans, auto loans, mortgages), commercial installment loans, SME loans, time and demand deposits, gold banking, investment accounts, life and non-life insurance products and payroll services. Card payment systems cover the management of products, services, campaigns for member merchants as well as the sales and activities for a variety of customer types. Crystal, Play, Adios and Taksitçi are the other card brands providing services for the different segments within the World brand, shopping and marketing platform of the Bank. The Bank also offers debit card and a prepaid card named World Hediye Card.

Corporate and Commercial Banking segment is organized into three subgroups: Corporate Banking for large-scale companies, Commercial Banking for medium-sized enterprises and Multinational Companies Banking for multinational companies. Corporate and Commercial Banking, has a product range of working capital finance, trade finance, project finance, domestic and international non-cash loans such as letters of credit and letters of guarantee, cash management and internet banking.

Through its Private Banking and Wealth Management activities, the Bank serves high net worth customers and delivers investment products to this customer segment. Among the products and services offered to Private Banking customers are time deposit products, capital guaranteed funds, mutual funds, Type A Type B funds, derivative products such as forwards, futures and options in domestic futures exchange (VOB) and international markets, personal loans, foreign exchange, gold and equity trading, pension plans, insurance products and 7/24 safe deposit boxes and e-banking services. Also, personal art advisory, inheritance advisory, real estate advisory, tax advisory and philanthropic advisory are offered within the Private Banking and Wealth Management activities.

The Group's widespread branch network and alternative distribution channels including ATMs, telephone banking, internet banking and mobile banking are utilized to serve customers in all segments. Foreign operations include the Group's banking transactions in the Netherlands, Azerbaijan and Russia. Treasury, Asset – Liability Management and other operations, mainly consist of treasury management's results, operations of supporting business units and other unallocated transactions.

The below table is prepared in accordance with the Management Information System (MIS) data of the Bank.

## Information related to financial position of the Group (continued)

### Major balance sheet and income statement items based on operating segments:

| Current Period  | Retail banking    | Corporate and commercial banking | Private banking and wealth management | Other foreign operations | Other domestic operations | Treasury, Asset-Liability Management and Other | Consolidation adjustments <sup>(1)</sup> | Total operations of the Group |
|---|-------------------|----------------------------------|---------------------------------------|--------------------------|---------------------------|--|--|-------------------------------|
| Operating revenue continuing                                  | 3.154.995         | 1.984.536                        | 193.161                               | 247.468                  | 505.294                   | 2.654.658                                      | (38.717)                                 | 8.701.395                     |
| Operating expenses continuing                                 | (3.017.788)       | (595.230)                        | (88.712)                              | (129.605)                | (202.558)                 | (2.090.124)                                    | 39.007                                   | (6.085.010)                   |
| <b>Net operating income continuing</b>                        | <b>137.207</b>    | <b>1.389.306</b>                 | <b>104.449</b>                        | <b>117.863</b>           | <b>302.736</b>            | <b>564.534</b>                                 | <b>290</b>                               | <b>2.616.385</b>              |
| Dividend income <sup>(2)</sup>                                | -                 | -                                | -                                     | -                        | -                         | 9.351  | -  | 9.351                         |
| Income/Loss from Investments accounted based on equity method | -                 | -                                | -                                     | -                        | -                         | 42.842   | -  | 42.842                        |
| <b>Profit before tax</b>                                      | <b>137.207</b>    | <b>1.389.306</b>                 | <b>104.449</b>                        | <b>117.863</b>           | <b>302.736</b>            | <b>616.727</b>                                 | <b>290</b>                               | <b>2.668.578</b>              |
| Tax expense <sup>(2)</sup>                                    | -                 | -                                | -                                     | -                        | -                         | (612.396)                                      | -  | (612.396)                     |
| <b>Net period income from continuing operations</b>           | <b>137.207</b>    | <b>1.389.306</b>                 | <b>104.449</b>                        | <b>117.863</b>           | <b>302.736</b>            | <b>4.331</b>                                   | <b>290</b>                               | <b>2.056.182</b>              |
| Minority interest (-)   | -                 | -                                | -                                     | -                        | -                         | (167)  | -  | (167)                         |
| Net period income from discontinued operations                | -                 | -                                | -                                     | -                        | -                         | -  | -  | -                             |
| <b>Group income/loss</b>                                      | <b>137.207</b>    | <b>1.389.306</b>                 | <b>104.449</b>                        | <b>117.863</b>           | <b>302.736</b>            | <b>4.164</b>                                   | <b>290</b>                               | <b>2.056.015</b>              |
| Segment assets <sup>(3)</sup>                                 | 56.570.591        | 56.386.444                       | 170.177                               | 6.463.517                | 11.404.711                | 65.569.693                                     | (2.088.869)                              | 194.476.264                   |
| Investments in associates, subsidiaries and joint ventures    | -                 | -                                | -                                     | -                        | -                         | 482.441  | -  | 482.441                       |
| <b>Total assets</b>   | <b>56.570.591</b> | <b>56.386.444</b>                | <b>170.177</b>                        | <b>6.463.517</b>         | <b>11.404.711</b>         | <b>66.052.134</b>                              | <b>(2.088.869)</b>                       | <b>194.958.705</b>            |
| Segment liabilities <sup>(3)</sup>                            | 41.080.689        | 44.598.409                       | 22.300.382                            | 5.199.806                | 9.550.610                 | 54.095.433                                     | (2.080.329)                              | 174.745.000                   |
| Shareholders' equity  | -                 | -                                | -                                     | -                        | -                         | 20.213.705                                     | -  | 20.213.705                    |
| <b>Total liabilities</b>                                      | <b>41.080.689</b> | <b>44.598.409</b>                | <b>22.300.382</b>                     | <b>5.199.806</b>         | <b>9.550.610</b>          | <b>74.309.138</b>                              | <b>(2.080.329)</b>                       | <b>194.958.705</b>            |

(1) Consolidation adjustments include transactions with subsidiaries and investments consolidated in these financial statements.

(2) Dividend income and tax provision expenses have not been distributed based on operating segments and have been presented under "Treasury, Asset-Liability Management and Other".

(3) Segment asset and liability balances are extracted from Management Information Systems (MIS).

| Prior Period  | Retail banking    | Corporate and commercial banking | Private banking and wealth management | Other foreign operations | Other domestic operations | Treasury, Asset-Liability Management and Other | Consolidation adjustments <sup>(1)</sup> | Total operations of the Group |
|---|-------------------|----------------------------------|---------------------------------------|--------------------------|---------------------------|--|--|-------------------------------|
| Operating revenue continuing                                  | 3.041.777         | 1.705.313                        | 159.474                               | 194.003                  | 790.654                   | 2.331.393                                      | (187.099)                                | 8.035.515                     |
| Operating expenses continuing                                 | (2.522.807)       | (470.916)                        | (72.996)                              | (106.292)                | (180.820)                 | (1.747.698)                                    | 6.062                                    | (5.095.467)                   |
| <b>Net operating income continuing</b>                        | <b>518.970</b>    | <b>1.234.397</b>                 | <b>86.478</b>                         | <b>87.711</b>            | <b>609.834</b>            | <b>583.695</b>                                 | <b>(181.037)</b>                         | <b>2.940.048</b>              |
| Dividend income <sup>(2)</sup>                                | -                 | -                                | -                                     | -                        | -                         | 15.243   | -  | 15.243                        |
| Income/Loss from Investments accounted based on equity method | -                 | -                                | -                                     | -                        | -                         | 7.688  | -  | 7.688                         |
| <b>Profit before tax</b>                                      | <b>518.970</b>    | <b>1.234.397</b>                 | <b>86.478</b>                         | <b>87.711</b>            | <b>609.834</b>            | <b>606.626</b>                                 | <b>(181.037)</b>                         | <b>2.962.979</b>              |
| Tax expense <sup>(2)</sup>                                    | -                 | -                                | -                                     | -                        | -                         | (629.802)                                      | -  | (629.802)                     |
| <b>Net period income from continuing operations</b>           | <b>518.970</b>    | <b>1.234.397</b>                 | <b>86.478</b>                         | <b>87.711</b>            | <b>609.834</b>            | <b>(23.176)</b>                                | <b>(181.037)</b>                         | <b>2.333.177</b>              |
| Minority interest (-)   | -                 | -                                | -                                     | -                        | -                         | (237)  | -  | (237)                         |
| Net period income from discontinued operations                | -                 | -                                | -                                     | -                        | -                         | 1.326.012                                      | -  | 1.326.012                     |
| <b>Group income/loss</b>                                      | <b>518.970</b>    | <b>1.234.397</b>                 | <b>86.478</b>                         | <b>87.711</b>            | <b>609.834</b>            | <b>1.302.599</b>                               | <b>(181.037)</b>                         | <b>3.658.952</b>              |
| Segment assets <sup>(3)</sup>                                 | 47.229.794        | 41.802.945                       | 177.420                               | 6.151.505                | 9.992.267                 | 57.237.856                                     | (2.746.083)                              | 159.845.704                   |
| Investments in associates, subsidiaries and joint ventures    | -                 | -                                | -                                     | -                        | -                         | 464.140  | -  | 464.140                       |
| <b>Total assets</b>   | <b>47.229.794</b> | <b>41.802.945</b>                | <b>177.420</b>                        | <b>6.151.505</b>         | <b>9.992.267</b>          | <b>57.701.996</b>                              | <b>(2.746.083)</b>                       | <b>160.309.844</b>            |
| Segment liabilities <sup>(3)</sup>                            | 34.135.357        | 35.600.735                       | 18.846.849                            | 5.007.946                | 8.235.977                 | 42.989.422                                     | (2.791.952)                              | 142.024.334                   |
| Shareholders' equity  | -                 | -                                | -                                     | -                        | -                         | 18.285.510                                     | -  | 18.285.510                    |
| <b>Total liabilities</b>                                      | <b>34.135.357</b> | <b>35.600.735</b>                | <b>18.846.849</b>                     | <b>5.007.946</b>         | <b>8.235.977</b>          | <b>61.274.932</b>                              | <b>(2.791.952)</b>                       | <b>160.309.844</b>            |

(1) Consolidation adjustments include transactions with subsidiaries and investments consolidated in these financial statements.

(2) Dividend income and tax provision expenses have not been distributed based on operating segments and have been presented under "Treasury, Asset-Liability Management and Other".

(3) Segment asset and liability balances are extracted from Management Information Systems (MIS).

## Section five: Explanations and notes related to consolidated financial statements

### I. Explanations and notes related to consolidated assets:

#### a. Information related to cash and the account of the Central Bank:

1. Information on cash and the account of the Central Bank of the Republic of Turkey ("the CBRT"):

|                         | Current Period   |                   | Prior Period     |                   |
|-------------------------|------------------|-------------------|------------------|-------------------|
|                         | TL               | FC                | TL               | FC                |
| Cash                    | 1.696.981        | 584.111           | 1.287.182        | 519.407           |
| The CBRT <sup>(1)</sup> | 1.293.701        | 19.460.663        | 43.293           | 16.984.910        |
| Other                   | -                | 179.209           | -                | 155.957           |
| <b>Total</b>            | <b>2.990.682</b> | <b>20.223.983</b> | <b>1.330.475</b> | <b>17.660.274</b> |

- (1) The balance of gold amounting to TL 3.302.8603.302.860 is accounted for under the Central Bank foreign currency account (December 31, 2013 – TL 2.923.5432.923.543).

2. Information on the account of the CBRT:

|  | Current Period   |                   | Prior Period  |                   |
|--|------------------|-------------------|---------------|-------------------|
|  | TL               | FC                | TL            | FC                |
| Demand unrestricted amount <sup>(1), (2)</sup> | 1.293.701        | 2.046.196         | 43.293        | 2.023.825         |
| Time unrestricted amount                       | -                | -                 | -             | -                 |
| Reserve requirement <sup>(3)</sup>             | -                | 17.414.467        | -             | 14.961.085        |
| <b>Total</b>                                   | <b>1.293.701</b> | <b>19.460.663</b> | <b>43.293</b> | <b>16.984.910</b> |

- (1) According to the letter received from BRSA on January 3, 2008, average reserve requirements balances monitored under CBRT demand deposit account.
- (2) In accordance with the announcement of CBRT numbered 2014-72 and dated October 21, 2014, interest payment on TL reserve balances (including the average balance) is started on quarterly basis, starting from November 2014.
- (3) According to the "Required Reserves Communiqué", numbered 2005/1, Bank is required to maintain reserves for liabilities in TL, USD, EUR and gold currencies.

As of December 31, 2014, the Group's reserve deposits, including those at foreign banks, amount to TL 20.785.11720.785.117 (December 31, 2013 - TL 17.068.83817.068.838).

#### b. Information on financial assets at fair value through profit and loss:

The Group does not have financial assets at fair value through profit and loss subject to repo transactions (December 31, 2013 - None) and there is no financial assets at fair value through profit and loss given as collateral/blocked (December 31, 2013 - None).

#### c. Positive differences related to trading derivative financial assets:

|                      | Current Period |                | Prior Period     |                |
|----------------------|----------------|----------------|------------------|----------------|
|                      | TL             | FC             | TL               | FC             |
| Forward transactions | 48.509         | 3.088          | 79.156           | 19.853         |
| Swap transactions    | 894.930        | 118.185        | 1.188.546        | 125.987        |
| Futures transactions | -              | -              | -                | -              |
| Options              | 27.400         | 18.409         | 160.289          | 22.281         |
| Other                | -              | -              | -                | -              |
| <b>Total</b>         | <b>970.839</b> | <b>139.682</b> | <b>1.427.991</b> | <b>168.121</b> |

ç. **Information on banks:**

1. Information on banks:

|                                   | Current Period |                  | Prior Period   |                  |
|-----------------------------------|----------------|------------------|----------------|------------------|
|                                   | TL             | FC               | TL             | FC               |
| <b>Banks</b>                      |                |                  |                |                  |
| Domestic                          | 947.196        | 425.461          | 474.953        | 915.461          |
| Foreign <sup>(1)</sup>            | 3.309          | 2.515.909        | 41.138         | 2.577.574        |
| Head quarters and branches abroad | -              | -                | -              | -                |
| <b>Total</b>                      | <b>950.505</b> | <b>2.941.370</b> | <b>516.091</b> | <b>3.493.035</b> |

(2) The balance of foreign currency account in foreign banks includes the balance of gold amounting to TL 66.93666.936 (December 31, 2013 - 314.557314.557 TL).

2. Information on foreign banks account:

|                               | Unrestricted amount |                  | Restricted amount |                |
|-------------------------------|---------------------|------------------|-------------------|----------------|
|                               | Current Period      | Prior Period     | Current Period    | Prior Period   |
| EU countries                  | 1.151.961           | 1.130.877        | 111.270           | 187.412        |
| USA, Canada                   | 1.089.289           | 1.063.292        | -                 | -              |
| OECD countries <sup>(1)</sup> | 23.963              | 56.753           | -                 | -              |
| Off-shore banking regions     | 123                 | 206              | -                 | -              |
| Other                         | 142.588             | 164.065          | 24                | 16.107         |
| <b>Total</b>                  | <b>2.407.924</b>    | <b>2.415.193</b> | <b>111.294</b>    | <b>203.519</b> |

(1) OECD countries except EU countries, USA and Canada.

d. **Information on available-for-sale financial assets which are subject to repurchase agreements and given as collateral / blocked:**

Carrying values of available-for-sale financial assets which are subject to repurchase agreements and given as collateral / blocked:

Available-for-sale financial assets given as collateral/blocked amount to TL 1.102.2161.102.216 (December 31, 2013 - TL 718.291718.291) and available-for-sale financial assets subject to repo transactions amounts to TL 4.607.7674.607.767 (December 31, 2013 - TL 2.320.0472.320.047).

Information related to financial position of the Group (continued)

e. Information on available-for-sale financial assets:

|   | Current Period    | Prior Period      |
|---|-------------------|-------------------|
| Debt securities                         | 18.626.742        | 13.455.271        |
| Quoted on stock exchange                | 17.095.631        | 11.761.398        |
| Not quoted <sup>(1)</sup>               | 1.531.111         | 1.693.873         |
| Share certificates                      | 88.925            | 87.220            |
| Quoted on stock exchange                | 177               | 163               |
| Not quoted                              | 88.748            | 87.057            |
| Impairment provision (-) <sup>(2)</sup> | (114.222)         | (425.276)         |
| Other <sup>(3)</sup>                    | 72.652            | 92.147            |
| <b>Total</b>                            | <b>18.674.097</b> | <b>13.209.362</b> |

(1) Includes credit linked notes amounting to TL 986.135986.135 (December 31, 2013 - TL 989.937989.937).

(2) The figure includes the negative differences between the cost and the market price of the securities and the impairment provisions, if any.

(3) Other available-for-sale financial assets include mutual funds.

f. Explanations on loans:

1. Information on all types of loans or advance balances given to shareholders and employees of the Group:

|  | Current Period |                | Prior Period   |                |
|--|----------------|----------------|----------------|----------------|
|  | Cash           | Non-cash       | Cash           | Non-cash       |
| Direct loans granted to shareholders   | -              | -              | -              | -              |
| Corporate shareholders                 | -              | -              | -              | -              |
| Real person shareholders               | -              | -              | -              | -              |
| Indirect loans granted to shareholders | 29.825         | 536.763        | 20.756         | 450.294        |
| Loans granted to employees             | 129.610        | 1.464          | 110.494        | 470            |
| <b>Total</b>                           | <b>159.435</b> | <b>538.227</b> | <b>131.250</b> | <b>450.764</b> |



**Explanations and notes related to consolidated financial statements (continued)**

2. Information on the first and second group loans and other receivables and loans and other receivables that have been restructured or rescheduled:

| Cash Loans                      | Standard loans and other receivables |  |       | Loans and other receivables under close monitoring |  |               |
|---------------------------------|--------------------------------------|--|-------|--|--|---------------|
|                                 | Loans and other receivables (Total)  | of which, terms & conditions are changed |       | Loans and other receivables (Total)                | of which, terms & conditions are changed |               |
|                                 |                                      | Payment plan extensions                  | Other |  | Payment plan extensions                  | Other         |
| <b>Non-specialized loans</b>    | <b>121.409.873</b>                   | <b>1.457.751</b>                         | -     | <b>4.124.194</b>                                   | <b>1.548.463</b>                         | <b>28.765</b> |
| Loans given to enterprises      | 54.567.274                           | 230.384                                  | -     | 1.175.819  | 687.276                                  | 7.582         |
| Export loans                    | 5.060.174                            | 83.049                                   | -     | 68.834   | 84.332                                   | -             |
| Import loans                    | -                                    | -  | -     | -  | -  | -             |
| Loans given to financial sector | 3.548.044                            | -  | -     | 44   | -  | -             |
| Consumer loans                  | 22.640.608                           | 587.348                                  | -     | 1.188.105  | 130.835                                  | 13.717        |
| Credit cards                    | 17.104.012                           | 376.372                                  | -     | 650.489  | 275.178                                  | 6.572         |
| Other                           | 18.489.761                           | 180.598                                  | -     | 1.040.903  | 370.842                                  | 894           |
| <b>Specialized lending</b>      | -                                    | -  | -     | -  | -  | -             |
| <b>Other receivables</b>        | -                                    | -  | -     | -  | -  | -             |
| <b>Total</b>                    | <b>121.409.873</b>                   | <b>1.457.751</b>                         | -     | <b>4.124.194</b>                                   | <b>1.548.463</b>                         | <b>28.765</b> |

(1) Fair value differences of the hedged item amounting to TL (10.516) are classified in other loans as explained in Note IV, Section XIII.

|  | Standard loans and other receivables | Loans and other receivables under close monitoring |
|--|--------------------------------------|--|
| <b>Number of modifications made to extend payment plan<sup>(1) (2) (3)</sup></b> |                                      |  |
| Extended by 1 or 2 times   | 1.418.333                            | 1.291.461  |
| Extended by 3,4 or 5 times   | 22.072                               | 249.326  |
| Extended by more than 5 times  | 17.346                               | 7.676  |
| <b>Total</b>   | <b>1.457.751</b>                     | <b>1.548.463</b>                                   |

|  | Standard loans and other receivables | Loans and other receivables under close monitoring |
|--|--------------------------------------|--|
| <b>Number of modifications made to extend payment plan<sup>(1), (2), (3)</sup></b> |                                      |  |
| 0 - 6 Months   | 754.974                              | 412.524  |
| 6 - 12 Months  | 156.783                              | 156.100  |
| 1 - 2 Years  | 266.973                              | 236.451  |
| 2 - 5 Years  | 220.868                              | 239.247  |
| 5 Years and over   | 58.153                               | 504.141  |
| <b>Total</b>   | <b>1.457.751</b>                     | <b>1.548.463</b>                                   |

(2) There is no loan which is subject to the temporary article 5 subsection 2 of the amendment of Provisioning Regulation dated on April 09, 2011.

(3) There are twenty seven loans restructured in accordance with temporary article 6 subsection 2 of the amendment of Provisioning Regulation dated December 30, 2011 with maturities between 0 to 6 month, 6 to 12 month, 1 to 2 years, 2 to 5 years, 5 years and over. Twenty fourth of them was restructured once, and rest of the three are restructured three times.

(4) There is no loan which is subject to the temporary article 7 of the amendment of Provisioning Regulation dated on September 21, 2012.

## Explanations and notes related to consolidated financial statements (continued)

### 3. Loans according to their maturity structure:

|   | Standard loans and other receivables |                               | Loans and other receivables under close monitoring |                               |
|---|--------------------------------------|-------------------------------|--|-------------------------------|
|   | Loans and other receivables          | Agreement conditions modified | Loans and other receivables                        | Agreement conditions modified |
| <b>Short-term loans and other receivables</b>           | <b>47.002.581</b>                    | <b>583.154</b>                | <b>929.235</b>                                     | <b>326.326</b>                |
| Non-specialised loans                                   | 47.002.581                           | 583.154                       | 929.235  | 326.326                       |
| Specialised loans                                       | -                                    | -                             | -  | -                             |
| Other receivables                                       | -                                    | -                             | -  | -                             |
| <b>Medium and long-term loans and other receivables</b> | <b>72.949.541</b>                    | <b>874.597</b>                | <b>1.617.731</b>                                   | <b>1.250.902</b>              |
| Non-specialised loans                                   | 72.949.541                           | 874.597                       | 1.617.731  | 1.250.902                     |
| Specialised loans                                       | -                                    | -                             | -  | -                             |
| Other receivables                                       | -                                    | -                             | -  | -                             |

### 4.(i) Information on loans by types and specific provisions:

|                             | Corporate, commercial and other loans | Consumer loans    | Credit cards      | Financial Leasing | Factoring        | Total              |
|-----------------------------|---------------------------------------|-------------------|-------------------|-------------------|------------------|--------------------|
| <b>Current Period</b>       |                                       |                   |                   |                   |                  |                    |
| Standard loans              | 81.665.253                            | 22.640.608        | 17.104.012        | 4.751.537         | 2.686.888        | 128.848.298        |
| Watch list                  | 2.285.600                             | 1.188.105         | 650.489           | 199.487           | 70.543           | 4.394.224          |
| Loans under legal follow-up | 2.704.502                             | 1.062.029         | 612.792           | 264.424           | 78.294           | 4.722.041          |
| Specific provisions (-)     | (1.961.533)                           | (762.778)         | (381.970)         | (210.198)         | (67.492)         | (3.383.971)        |
| <b>Total</b>                | <b>84.693.822</b>                     | <b>24.127.964</b> | <b>17.985.323</b> | <b>5.005.250</b>  | <b>2.768.233</b> | <b>134.580.592</b> |

|                             | Corporate, commercial and other loans | Consumer loans    | Credit cards      | Financial Leasing | Factoring        | Total              |
|-----------------------------|---------------------------------------|-------------------|-------------------|-------------------|------------------|--------------------|
| <b>Prior Period</b>         |                                       |                   |                   |                   |                  |                    |
| Standard loans              | 60.910.810                            | 17.618.500        | 18.488.941        | 3.813.930         | 2.091.266        | 102.923.447        |
| Watch list                  | 1.236.814                             | 887.111           | 293.682           | 92.780            | 43.659           | 2.554.046          |
| Loans under legal follow-up | 2.356.081                             | 839.916           | 437.076           | 240.940           | 80.419           | 3.954.432          |
| Specific provisions (-)     | (1.599.397)                           | (557.204)         | (288.400)         | (170.278)         | (73.009)         | (2.688.288)        |
| <b>Total</b>                | <b>62.904.308</b>                     | <b>18.788.323</b> | <b>18.931.299</b> | <b>3.977.372</b>  | <b>2.142.335</b> | <b>106.743.637</b> |

### (ii) Fair value of collaterals:

|  | Corporate, commercial and other loans | Consumer loans | Credit cards | Financial Leasing | Factoring | Total            |
|--|---------------------------------------|----------------|--------------|-------------------|-----------|------------------|
| <b>Current Period</b>                      |                                       |                |              |                   |           |                  |
| Watch List                                 | 405.922                               | 768.941        | -            | 91.619            | -         | 1.266.482        |
| Loans under legal follow-up <sup>(1)</sup> | 386.126                               | 49.413         | -            | 43.805            | -         | 479.344          |
| <b>Total</b>                               | <b>792.048</b>                        | <b>818.354</b> | <b>-</b>     | <b>135.424</b>    | <b>-</b>  | <b>1.745.826</b> |

|  | Corporate, commercial and other loans | Consumer loans | Credit cards | Financial Leasing | Factoring | Total            |
|--|---------------------------------------|----------------|--------------|-------------------|-----------|------------------|
| <b>Prior Period</b>                        |                                       |                |              |                   |           |                  |
| Watch List                                 | 369.311                               | 410.304        | -            | 40.425            | -         | 820.040          |
| Loans under legal follow-up <sup>(1)</sup> | 373.350                               | 42.900         | -            | 50.917            | -         | 467.167          |
| <b>Total</b>                               | <b>742.661</b>                        | <b>453.204</b> | <b>-</b>     | <b>91.342</b>     | <b>-</b>  | <b>1.287.207</b> |

(1) Fair values of collaterals received for non-performing loans are calculated by using hair-cuts over their nominal values in accordance with the "Regulation of Procedures for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside".

**Explanations and notes related to consolidated financial statements (continued)**

5. Information on consumer loans, individual credit cards, personnel loans and personnel credit cards:

|  | Short- term       | Medium<br>and long-term | Total             |
|--|-------------------|-------------------------|-------------------|
| <b>Consumer loans-TL</b>                                     | <b>203.395</b>    | <b>22.684.067</b>       | <b>22.887.462</b> |
| Real estate loans  | 7.900             | 10.860.952              | 10.868.852        |
| Automotive loans   | 4.517             | 671.636                 | 676.153           |
| Consumer loans   | 1.932             | 97.707                  | 99.639            |
| Other  | 189.046           | 11.053.772              | 11.242.818        |
| <b>Consumer loans-FC indexed</b>                             | <b>-</b>          | <b>59.126</b>           | <b>59.126</b>     |
| Real estate loans  | -                 | 58.425                  | 58.425            |
| Automotive loans   | -                 | -                       | -                 |
| Consumer loans   | -                 | 701                     | 701               |
| Other  | -                 | -                       | -                 |
| <b>Consumer loans-FC</b>                                     | <b>48.146</b>     | <b>221.421</b>          | <b>269.567</b>    |
| Real estate loans  | 464               | 31.951                  | 32.415            |
| Automotive loans   | 8.564             | 31.100                  | 39.664            |
| Consumer loans   | 15.704            | 114.405                 | 130.109           |
| Other  | 23.414            | 43.965                  | 67.379            |
| <b>Individual credit cards-TL</b>                            | <b>12.694.359</b> | <b>714.918</b>          | <b>13.409.277</b> |
| With installments  | 6.595.800         | 709.479                 | 7.305.279         |
| Without installments   | 6.098.559         | 5.439                   | 6.103.998         |
| <b>Individual credit cards-FC</b>                            | <b>1.144</b>      | <b>76.075</b>           | <b>77.219</b>     |
| With installments  | 1.144             | 76.075                  | 77.219            |
| Without installments   | -                 | -                       | -                 |
| <b>Personnel loans-TL</b>                                    | <b>5.651</b>      | <b>54.547</b>           | <b>60.198</b>     |
| Real estate loans  | -                 | 1.179                   | 1.179             |
| Automotive loans   | -                 | 526                     | 526               |
| Consumer loans   | -                 | -                       | -                 |
| Other  | 5.651             | 52.842                  | 58.493            |
| <b>Personnel loans-FC indexed</b>                            | <b>-</b>          | <b>-</b>                | <b>-</b>          |
| Real estate loans  | -                 | -                       | -                 |
| Automotive loans   | -                 | -                       | -                 |
| Consumer loans   | -                 | -                       | -                 |
| Other  | -                 | -                       | -                 |
| <b>Personnel loans-FC</b>                                    | <b>558</b>        | <b>956</b>              | <b>1.514</b>      |
| Real estate loans  | -                 | -                       | -                 |
| Automotive loans   | -                 | -                       | -                 |
| Consumer loans   | 435               | 715                     | 1.150             |
| Other  | 123               | 241                     | 364               |
| <b>Personnel credit cards-TL</b>                             | <b>65.367</b>     | <b>538</b>              | <b>65.905</b>     |
| With installments  | 29.938            | 538                     | 30.476            |
| Without installments   | 35.429            | -                       | 35.429            |
| <b>Personnel credit cards-FC</b>                             | <b>6</b>          | <b>819</b>              | <b>826</b>        |
| With installments  | 6                 | 819                     | 826               |
| Without installments   | -                 | -                       | -                 |
| <b>Credit deposit account-TL (real person)<sup>(1)</sup></b> | <b>550.716</b>    | <b>-</b>                | <b>550.716</b>    |
| <b>Credit deposit account-FC (real person)</b>               | <b>130</b>        | <b>-</b>                | <b>130</b>        |
| <b>Total</b>   | <b>13.569.472</b> | <b>23.812.467</b>       | <b>37.381.940</b> |

(1) TL 1.1671.167 of the credit deposit account belongs to the loans used by personnel.

## Explanations and notes related to consolidated financial statements (continued)

### 6. Information on commercial installment loans and corporate credit cards:

|   |                  | Current<br>Period       |                   |
|---|------------------|-------------------------|-------------------|
|   | Short- term      | Medium<br>and long-term | Total             |
| <b>Commercial installments loans-TL</b>         | <b>924.361</b>   | <b>8.399.319</b>        | <b>9.323.680</b>  |
| Business loans                                  | 3.575            | 610.039                 | 613.614           |
| Automotive loans                                | 40.627           | 1.819.332               | 1.859.959         |
| Consumer loans                                  | 2.807            | 17.257                  | 20.064            |
| Other   | 877.352          | 5.952.691               | 6.830.043         |
| <b>Commercial installments loans-FC indexed</b> | <b>25.484</b>    | <b>258.613</b>          | <b>284.097</b>    |
| Business loans                                  | -                | 16.126                  | 16.126            |
| Automotive loans                                | 112              | 62.857                  | 62.969            |
| Consumer loans                                  | 116              | -                       | 116               |
| Other   | 25.256           | 179.630                 | 204.886           |
| <b>Commercial installments loans-FC</b>         | <b>-</b>         | <b>-</b>                | <b>-</b>          |
| Business loans                                  | -                | -                       | -                 |
| Automotive loans                                | -                | -                       | -                 |
| Consumer loans                                  | -                | -                       | -                 |
| Other   | -                | -                       | -                 |
| <b>Corporate credit cards-TL</b>                | <b>4.194.635</b> | <b>6.639</b>            | <b>4.201.274</b>  |
| With installment                                | 2.736.029        | 6.330                   | 2.742.359         |
| Without installment                             | 1.458.606        | 309                     | 1.458.915         |
| <b>Corporate credit cards-FC</b>                | <b>-</b>         | <b>-</b>                | <b>-</b>          |
| With installment                                | -                | -                       | -                 |
| Without installment                             | -                | -                       | -                 |
| <b>Credit deposit account-TL (legal person)</b> | <b>893.675</b>   | <b>-</b>                | <b>893.675</b>    |
| <b>Credit deposit account-FC (legal person)</b> | <b>-</b>         | <b>-</b>                | <b>-</b>          |
| <b>Total</b>                                    | <b>6.038.155</b> | <b>8.664.571</b>        | <b>14.702.726</b> |

### 7. Loans according to types of borrowers:

|              | Current Period     | Prior Period      |
|--------------|--------------------|-------------------|
| Public       | 1.698.012          | 997.751           |
| Private      | 123.836.055        | 98.438.107        |
| <b>Total</b> | <b>125.534.067</b> | <b>99.435.858</b> |

### 8. Distribution of domestic and foreign loans: Distribution has been disclosed based on the location where the customers operate.

|                | Current Period     | Prior Period      |
|----------------|--------------------|-------------------|
| Domestic loans | 122.057.842        | 95.921.730        |
| Foreign loans  | 3.476.225          | 3.514.128         |
| <b>Total</b>   | <b>125.534.067</b> | <b>99.435.858</b> |

### 9. Loans granted to associates and subsidiaries:

|   | Current Period | Prior Period  |
|---|----------------|---------------|
| Direct loans granted to associates and subsidiaries   | 88.339         | 88.320        |
| Indirect loans granted to associates and subsidiaries | -              | -             |
| <b>Total</b>  | <b>88.339</b>  | <b>88.320</b> |

Explanations and notes related to consolidated financial statements (continued)

10. Specific provisions provided against loans:

|  | Current Period   | Prior Period     |
|--|------------------|------------------|
| Loans and other receivables with limited collectability  | 97.558           | 117.677          |
| Loans and other receivables with doubtful collectability | 484.214          | 428.790          |
| Uncollectible loans and other receivables                | 2.524.509        | 1.898.534        |
| <b>Total</b>   | <b>3.106.281</b> | <b>2.445.001</b> |

| Current Period  | Corporate,<br>commercial and<br>other loans | Consumer<br>loans | Credit<br>cards | Total            |
|---|---|-------------------|-----------------|------------------|
| <b>January 1</b>  | <b>1.599.397</b>                            | <b>557.204</b>    | <b>288.400</b>  | <b>2.445.001</b> |
| Allowance for impairment  | 862.763                                     | 669.641           | 432.659         | 1.965.063        |
| Amount recovered during the period                                  | (352.784)                                   | (367.326)         | (124.029)       | (844.139)        |
| Loans written off during the period as uncollectible <sup>(1)</sup> | (149.174)                                   | (97.510)          | (215.137)       | (461.821)        |
| Exchange difference   | 1.331                                       | 769               | 77              | 2.177            |
| <b>December 31</b>  | <b>1.961.533</b>                            | <b>762.778</b>    | <b>381.970</b>  | <b>3.106.281</b> |

| Prior Period  | Corporate,<br>commercial and<br>other loans | Consumer<br>loans | Credit<br>cards | Total            |
|---|---|-------------------|-----------------|------------------|
| <b>January 1</b>  | <b>1.042.729</b>                            | <b>291.018</b>    | <b>264.167</b>  | <b>1.597.914</b> |
| Allowance for impairment  | 781.016                                     | 578.849           | 310.325         | 1.670.190        |
| Amount recovered during the period                                  | (213.101)                                   | (313.342)         | (83.666)        | (610.109)        |
| Loans written off during the period as uncollectible <sup>(1)</sup> | (20.526)                                    | (400)             | (202.472)       | (223.398)        |
| Exchange difference   | 9.279                                       | 1.079             | 46              | 10.404           |
| <b>December 31</b>  | <b>1.599.397</b>                            | <b>557.204</b>    | <b>288.400</b>  | <b>2.445.001</b> |

(1) Also includes the effects of the sales of non-performing loan portfolios.

11. Information on non-performing loans (net):

(i). Information on non-performing loans restructured or rescheduled by the Group, and other receivables:

|   | III. Group<br>Loans and other<br>receivables with<br>limited<br>collectability | IV. Group<br>Loans and other<br>receivables with<br>doubtful<br>collectability | V. Group<br>Uncollectible<br>loans<br>and other<br>receivables |
|---|--|--|--|
| <b>Current Period</b>                           |  |  |  |
| <b>(Gross amounts before specific reserves)</b> | <b>15.966</b>  | <b>42.429</b>  | <b>316.142</b>   |
| Restructured loans and other receivables        | 15.966   | 42.429   | 316.142  |
| Rescheduled loans and other receivables         | -  | -  | -  |
| <b>Prior Period</b>                             |  |  |  |
| <b>(Gross amounts before specific reserves)</b> | <b>8.048</b>   | <b>52.709</b>  | <b>236.784</b>   |
| Restructured loans and other receivables        | 8.048  | 52.709   | 236.784  |
| Rescheduled loans and other receivables         | -  | -  | -  |

## Explanations and notes related to consolidated financial statements (continued)

(ii).Information on the movement of total non-performing loans:

|   | III. Group  | IV. Group  | V. Group                                     |
|---|---|--|--|
|   | Loans and other<br>receivables with<br>limited collectability | Loans and other<br>receivables with<br>doubtful collectability | Uncollectible loans<br>and other receivables |
| <b>Prior Period</b>   | <b>630.585</b>  | <b>929.114</b>   | <b>2.073.374</b>                             |
| Additions (+)   | 2.017.354   | 118.364  | 102.101                                      |
| Transfers from other categories of non-performing loans (+) | -   | 1.760.502  | 1.488.725                                    |
| Transfer to other categories of non-performing loans (-)    | (1.760.502)   | (1.488.725)  | -  |
| Collections (-)   | (264.442)   | (263.018)  | (493.664)                                    |
| FX valuation differences                                    | (1.367)   | 1.476  | (8.733)                                      |
| Write-offs (-)  | -   | -  | (461.821)                                    |
| Corporate and commercial loans                              | -   | -  | (149.174)                                    |
| Consumer loans  | -   | -  | (97.510)                                     |
| Credit cards  | -   | -  | (215.137)                                    |
| Other   | -   | -  | -  |
| <b>Current Period</b>                                       | <b>621.628</b>  | <b>1.057.713</b>   | <b>2.699.982</b>                             |
| Specific provision (-)                                      | (97.558)  | (484.214)  | (2.524.509)                                  |
| <b>Net balance on balance sheet</b>                         | <b>524.070</b>  | <b>573.499</b>   | <b>175.473</b>                               |

The Parent Bank sold part of its non-performing loan portfolios to various asset management companies for a consideration of TL 52.270, in accordance with the Board of Directors' decisions during the year 2014.

## Explanations and notes related to consolidated financial statements (continued)

(iii).Information on non-performing loans granted as foreign currency loans

|                                     | III. Group  | IV. Group   | V. Group  |
|-------------------------------------|---|---|---|
|                                     | Loans and other<br>receivables with<br>limited collectability | Loans and other<br>receivables with<br>doubtful<br>collectability | Uncollectible loans<br>and other<br>receivables |
| <b>Current Period</b>               |   |   |   |
| Period end balance                  | 58.978  | 25.592  | 532.229   |
| Specific provision (-)              | (2.897)   | (14.493)  | (385.376)                                       |
| <b>Net balance on-balance sheet</b> | <b>56.081</b>   | <b>11.099</b>   | <b>146.853</b>                                  |
| <b>Prior Period</b>                 |   |   |   |
| Period end balance                  | 120.948   | 22.122  | 433.876   |
| Specific provision (-)              | (23.691)  | (12.633)  | (289.984)                                       |
| <b>Net balance on-balance sheet</b> | <b>97.257</b>   | <b>9.489</b>  | <b>143.892</b>                                  |

## Explanations and notes related to consolidated financial statements (continued)

(iv). Information on the gross and net amounts of the non-performing loans according to types of borrowers:

|  | III. Group   | IV. Group   | V. Group   |
|--|--|---|--|
|  | Loans and other<br>receivables with<br>limited<br>collectability | Loans and other<br>receivables with<br>doubtful<br>collectability | Uncollectible<br>loans and<br>other<br>receivables |
| <b>Current Period (net)</b>                                  | <b>524.070</b>   | <b>573.499</b>  | <b>175.473</b>                                     |
| Loans granted to real persons and corporate entities (gross) | 621.628  | 1.057.713   | 2.591.386  |
| Specific provision amount (-)                                | (97.558)   | (484.214)   | (2.415.913)  |
| Loans granted to real persons and corporate entities (net)   | 524.070  | 573.499   | 175.473  |
| Banks (gross)  | -  | -   | 24.600   |
| Specific provision amount (-)                                | -  | -   | (24.600)   |
| Banks (net)  | -  | -   | -  |
| Other loans and receivables (gross)                          | -  | -   | 83.996   |
| Specific provision amount (-)                                | -  | -   | (83.996)   |
| Other loans and receivables (Net) <sup>(1)</sup>             | -  | -   | -  |
| <b>Prior Period (net)</b>                                    | <b>512.908</b>   | <b>500.324</b>  | <b>174.840</b>                                     |
| Loans granted to real persons and corporate entities (gross) | 630.585  | 929.114   | 1.964.796  |
| Specific provision amount (-)                                | (117.677)  | (428.790)   | (1.789.956)  |
| Loans granted to real persons and corporate entities (Net)   | 512.908  | 500.324   | 174.840  |
| Banks (gross)  | -  | -   | 24.582   |
| Specific provision amount (-)                                | -  | -   | (24.582)   |
| Banks (net)  | -  | -   | -  |
| Other loans and receivables (gross)                          | -  | -   | 83.996   |
| Specific provision amount (-)                                | -  | -   | (83.996)   |
| Other loans and receivables (Net) <sup>(1)</sup>             | -  | -   | -  |

(1) The figure represents the total loans and receivables of Agrosan Kimya Sanayi Ticaret A.Ş., Tümteks Tekstil Sanayi Ticaret A.Ş and balances from Boyasan Tekstil Sanayi ve Ticaret A.Ş. in accordance with the Article 6 Paragraph 9 of regulation for provisions taken into account classification of loans and receivables.

12. Explanation on liquidation policy for uncollectible loans and receivables;

Uncollectible loans and receivables, which are classified in accordance with the Provisioning Regulation, are collected through legal follow-up, voluntary payments and liquidation of collaterals.

13. Explanation on "Write-off" policies:

The Bank's general policy for write-offs of loans and receivables under follow-up is to write of such loans and receivables that are proven to be uncollectible in legal follow-up process.

**Explanations and notes related to consolidated financial statements (continued)**

**g. Information on held-to-maturity investments:**

3. Characteristics and carrying values of held-to-maturity investments subject to repurchase agreements given as collateral / blocked:

Held-to-maturity investments given as collateral/blocked amounts to TL 1.619.9801.619.980 (December 31, 2013 - TL 1.398.3341.398.334). Held-to-maturity investments subject to repurchase agreements amount to TL 2.143.9482.143.948 (December 31, 2013 - TL 1.968.3781.968.378).

2. Information on government debt securities held-to-maturity:

|                       | Current Period   | Prior Period     |
|-----------------------|------------------|------------------|
| Government bond       | 5.242.386        | 6.527.368        |
| Treasury bill         | -                | -                |
| Other debt securities | 313.983          | 362.235          |
| <b>Total</b>          | <b>5.556.369</b> | <b>6.889.603</b> |

3. Information on investment securities held-to-maturity:

|   | Current Period   | Prior Period     |
|---|------------------|------------------|
| Debt securities                         | 5.678.909        | 7.020.246        |
| Quoted on stock exchange                | 5.678.909        | 7.020.246        |
| Not quoted                              | -                | -                |
| Impairment provision (-) <sup>(1)</sup> | (122.540)        | (130.643)        |
| <b>Total</b>                            | <b>5.556.369</b> | <b>6.889.603</b> |

- (1) Includes amortisation of the premiums paid during the purchase of the securities throughout the maturity of the securities and the impairment provisions, if any.

4. Movement of held-to-maturity investments within the period:

|  | Current Period   | Prior Period     |
|--|------------------|------------------|
| <b>Beginning balance</b>                                       | <b>6.889.603</b> | <b>5.827.694</b> |
| Foreign currency differences on monetary assets <sup>(1)</sup> | 201.600          | 645.086          |
| Purchases during year  | 834.017          | 634.403          |
| Disposals through sales and redemptions <sup>(3)</sup>         | (2.376.954)      | (126.415)        |
| Impairment provision (-) <sup>(2)</sup>                        | 8.103            | (91.165)         |
| <b>Period end balance</b>                                      | <b>5.556.369</b> | <b>6.889.603</b> |

- (1) Also includes the changes in the interest income accruals.

- (2) Includes amortisation of the premiums paid during the purchase of the securities throughout the maturity of the securities and the impairment provisions, if any.

- (3) In 2013, Yapı Kredi NV has classified its USD 63.38563.385 thousand and EUR 7.2507.250 thousand nominal value of foreign currency denominated securities from available for sale portfolio to held to maturity portfolio in accordance with the TAS 39 relevant paragraphs.



Explanations and notes related to consolidated financial statements (continued)

ğ. Information on investments in associates (net):

1. General information on unconsolidated investments in associates:

| No | Description                                    | Address<br>(City/ Country) | The Parent Bank's<br>shareholding percentage<br>- if different voting<br>percentage (%) | Bank's risk<br>group<br>shareholding<br>percentage (%) |
|----|--|----------------------------|---|--|
| 1  | Kredi Kayıt Bürosu <sup>(1)</sup>              | İstanbul/Türkiye           | 18,18   | 18,18  |
| 2  | Bankalararası Kart Merkezi A.Ş. <sup>(1)</sup> | İstanbul/Türkiye           | 9,98  | 9,98   |

| No | Total<br>assets | Shareholders'<br>equity | Total fixed<br>assets | Interest<br>Income | Income from<br>marketable<br>securities<br>portfolio | Current<br>period<br>profit /<br>loss | Prior period<br>profit / loss | Market<br>Value |
|----|-----------------|-------------------------|-----------------------|--------------------|--|---------------------------------------|-------------------------------|-----------------|
| 1  | 105.453         | 88.452                  | 52.574                | 3.178              | -  | 18.547                                | 28.149                        | -               |
| 2  | 52.777          | 30.264                  | 32.405                | 681                | -  | 7.882                                 | 4.171                         | -               |

(1) Financial statement information disclosed above shows September 30, 2014 results.

2. Consolidated investments in associates:

(i). Information on consolidated investments in associates:

| No | Description                              | Address<br>(City/ Country) | The Parent Bank's<br>shareholding percentage<br>- if different voting<br>percentage (%) | Other<br>Shareholders'<br>shareholding<br>percentage<br>(%) <sup>(1)</sup> |
|----|--|----------------------------|---|--|
| 1  | Banque de Commerce et de Placements S.A. | Geneva/<br>Switzerland     | 30,67   | -  |
| 2  | Allianz Yaşam ve Emeklilik A.Ş.          | İstanbul/Türkiye           | -   | 20,00  |

(1) The other shareholders represent the consolidated Group companies.

(ii). Main financial figures of the consolidated investments in associates in order of the above table:

| No | Total<br>assets | Shareholders'<br>equity | Total fixed<br>assets | Interest<br>Income | Income from<br>marketable<br>securities<br>portfolio | Current<br>period<br>profit /<br>loss | Prior period<br>profit / loss | Market<br>Value |
|----|-----------------|-------------------------|-----------------------|--------------------|--|---------------------------------------|-------------------------------|-----------------|
| 1  | 6.267.421       | 875.236                 | 5.379                 | 114.242            | 19.169   | 50.601                                | 26.162                        | -               |
| 2  | 1.040.433       | 254.520                 | 23.379                | 44.013             | 18.071   | 97.058                                | 48.239                        | -               |

(iii). Movement of consolidated investments in associates:

|  | Current Period | Prior Period |
|--|----------------|--------------|
| Balance at the beginning of the period                           | 446.961        | 193.934      |
| Movements during the period                                      | 9.623          | 253.027      |
| Purchases <sup>(1)</sup>   | -              | 188.108      |
| Bonus shares obtained  | -              | -            |
| Share of current year income                                     | 34.164         | 15.773       |
| Sales  | -              | -            |
| Foreign exchange gain/(loss) stems from the foreign subsidiaries | (5.046)        | 51.729       |
| Impairment provision <sup>(2)</sup>                              | (19.495)       | (2.583)      |
| Balance at the end of the period                                 | 456.584        | 446.961      |
| Capital commitments  | -              | -            |
| Shareholding percentage at the end of the period (%)             | -              | -            |

(1) Includes repurchase of 19,93% of YKE.

(2) Includes value increase/(decrease) due to equity pick up

**Explanations and notes related to consolidated financial statements (continued)**

(iv). Information on sectors and the carrying amounts of consolidated investments in associates:

|                                    | Current Period | Prior Period   |
|------------------------------------|----------------|----------------|
| Banks                              | 260.370        | 253.462        |
| Insurance companies                | 196.214        | 193.499        |
| Factoring companies                | -              | -              |
| Leasing companies                  | -              | -              |
| Finance companies                  | -              | -              |
| Other financial investments        | -              | -              |
| <b>Total financial investments</b> | <b>456.584</b> | <b>446.961</b> |

(v). Investments in associates quoted on stock exchange: None.

**h. Information on shareholders' equity of the significant subsidiaries (net):**

There is no deficit of regulatory limits on capital structure of the subsidiaries which are included in the consolidated capital adequacy ratio calculation in accordance with the capital adequacy ratio limits.

1. Information on shareholders' equity of the significant subsidiaries:

|                                       | Yapı Kredi<br>Yatırım<br>Menkul<br>Değerler<br>A.Ş. | Yapı Kredi<br>Faktoring<br>A.Ş. | Yapı Kredi<br>Finansal<br>Kiralama<br>A.O. | Yapı Kredi<br>Portföy<br>Yönetimi<br>A.Ş. | Yapı Kredi<br>Nederland<br>N.V. |
|---------------------------------------|---|---------------------------------|--|---|---------------------------------|
| <b>Core Capital</b>                   |   |                                 |  |   |                                 |
| Paid-in capital                       | 98.918  | 60.714                          | 389.928                                    | 5.707                                     | 112.442                         |
| Inflation adjustment to share capital | -   | -                               | -  | -   | -                               |
| Share premium                         | -   | -                               | -  | -   | -                               |
| Marketable Securities                 |   |                                 |  |   |                                 |
| Valuation Differences                 | 13.613  | -                               | -  | -   | (3.887)                         |
| Other Capital Reserves                | 93.423  | -                               | (217.104)                                  | -   | -                               |
| Legal reserves                        | 70.137  | 8.034                           | 79.305                                     | 18.878                                    | -                               |
| Extraordinary reserves                | 193.207   | 10.458                          | 619.019                                    | -   | 373.243                         |
| Other reserves                        | (94)  | (10)                            | 40   | -   | 245.472                         |
| Profit/loss                           | (678)   | 153.865                         | 430.606                                    | 21.386                                    | 50.566                          |
| Current period net profit             | 69.268  | 46.971                          | 152.365                                    | 21.386                                    | 50.566                          |
| Prior period profit                   | (69.946)  | 106.894                         | 278.241                                    | -   | -                               |
| Leasehold improvements (-)            | -   | -                               | -  | -   | -                               |
| Intangible assets (-)                 | 2.277   | 74                              | 3.390                                      | 710                                       | 522                             |
| <b>Total core capital</b>             | <b>466.249</b>                                      | <b>232.987</b>                  | <b>1.298.404</b>                           | <b>45.261</b>                             | <b>777.314</b>                  |
| <b>Supplementary capital</b>          | <b>-</b>  | <b>10.127</b>                   | <b>25.523</b>                              | <b>-</b>                                  | <b>158</b>                      |
| <b>Capital</b>                        | <b>466.249</b>                                      | <b>243.114</b>                  | <b>1.323.927</b>                           | <b>45.261</b>                             | <b>777.472</b>                  |
| <b>Deductions from the capital</b>    | <b>-</b>  | <b>-</b>                        | <b>-</b>                                   | <b>-</b>                                  | <b>-</b>                        |
| <b>Total shareholders' equity</b>     | <b>466.249</b>                                      | <b>243.114</b>                  | <b>1.323.927</b>                           | <b>45.261</b>                             | <b>777.472</b>                  |

The above information is based on the information extracted from the individual financial statements of subsidiaries, used for consolidated financial statements of the Bank as of December 31, 2014.

The internal capital adequacy for the subsidiaries is calculated with the model and approaches used in the Parent Bank within the scope of the consolidated Internal Capital Adequacy Assessment Process ("ICAAP") report.

Paid-in capital is a capital which have been disclosed as Turkish Lira in the articles of incorporation and registered in trade register.

Inflation adjustment to share capital is the adjustment difference arising from inflation accounting.

Extraordinary Reserves are the reserves which represent the remaining net income of the previous periods after providing the legal reserves in accordance with the General Assembly of the Bank.

**Explanations and notes related to consolidated financial statements (continued)**

**Explanations and notes related to consolidated financial statements (continued)**

## Explanations and notes related to consolidated financial statements (continued)

Legal reserves are the income reserves that are provided according to the first paragraph and the third subparagraph of the second paragraph of the article no 466 and no 467 of the Turkish Commercial Code No. 6762 allocated as capital reserves separated from annual profit according to the laws of foundation.

### 2. Unconsolidated subsidiaries

#### (i). Information on unconsolidated subsidiaries

Since the subsidiaries below are not financial subsidiaries, the related subsidiaries are unconsolidated and are carried at restated cost.

| Description  | Address<br>(City/ Country) | The Parent Bank's<br>shareholding<br>percentage - if<br>different voting<br>percentage (%) | Bank's risk<br>group<br>shareholding<br>percentage (%) |
|--|----------------------------|--|--|
| 1 Yapı Kredi-Kültür Sanat Yayıncılık Tic. ve San. A.Ş. | İstanbul/Türkiye           | 99,99  | 100,00   |
| 2 Enternasyonal Turizm Yatırım A.Ş.                    | İstanbul/Türkiye           | 99,96  | 99,99  |

#### (ii). Main financial figures of the subsidiaries in order of the above table:

|   | Total<br>assets | Shareholders'<br>equity | Total fixed<br>assets | Interest<br>Income | Income from<br>marketable<br>securities<br>portfolio | Current<br>period<br>profit /<br>loss | Prior<br>period<br>profit /<br>loss | Market<br>Value |
|---|-----------------|-------------------------|-----------------------|--------------------|--|---------------------------------------|-------------------------------------|-----------------|
| 1 | 21.267          | 16.151                  | 862                   | 5                  | -  | 2.436                                 | 1.412                               | -               |
| 2 | 39.345          | 26.310                  | 3.799                 | 1.663              | 8  | 903                                   | 932                                 | -               |

### 3. Consolidated subsidiaries:

#### (i). Information on consolidated subsidiaries:

| Description                            | Address (City/ Country) | The Parent Bank's<br>shareholding<br>percentage - if<br>different voting<br>percentage (%) | Bank's risk<br>group<br>shareholding<br>percentage (%) |
|--|-------------------------|--|--|
| 1 Yapı Kredi Holding B.V.              | Amsterdam/Nederlands    | 100,00   | 100,00   |
| 2 Yapı Kredi Menkul                    | Istanbul/Turkey         | 99,98  | 100,00   |
| 3 Yapı Kredi Faktoring                 | Istanbul/Turkey         | 99,95  | 100,00   |
| 4 Yapı Kredi Moscow                    | Moscow/Russia           | 99,84  | 100,00   |
| 5 Yapı Kredi Leasing                   | Istanbul/Turkey         | 99,99  | 99,99  |
| 6 Yapı Kredi Portföy                   | Istanbul/Turkey         | 12,65  | 99,99  |
| 7 Yapı Kredi NV <sup>(1)</sup>         | Amsterdam/Nederlands    | 67,24  | 100,00   |
| 8 Yapı Kredi Azerbaijan <sup>(2)</sup> | Bakü/Azerbaijan         | 99,80  | 100,00   |
| 9 Yapı Kredi Malta                     | St.Julian/Malta         | -  | 100,00   |

Although Yapı Kredi Diversified Payment Rights Finance Company ("Special Purpose Entity") which is established for securitisation transactions of Yapı Kredi is not a subsidiary, it is included in the consolidation as the Bank has a control of 100%.

(1) Includes the balances for Sticking Custody Services YKB.

(2) Includes the balances for Yapı Kredi Invest LLC.

## Explanations and notes related to consolidated financial statements (continued)

(ii). Main financial figures of the consolidated subsidiaries in the order of the below table<sup>(1)</sup>:

|   | Total assets | Shareholders' equity | Total fixed assets | Interest income | Income from marketable securities portfolio | Current period profit / loss | Prior period profit /loss | Market value <sup>(2)</sup> | Required equity |
|---|--------------|----------------------|--------------------|-----------------|---|------------------------------|---------------------------|-----------------------------|-----------------|
| 1 | 226.643      | 226.537              | -                  | -               | -   | 351                          | (211)                     | -                           | -               |
| 2 | 3.219.331    | 473.030              | 10.827             | 120.215         | 3.638                                       | 69.268                       | 269.067                   | -                           | -               |
| 3 | 2.808.850    | 233.061              | 596                | 150.598         | -   | 46.971                       | 147.894                   | -                           | -               |
| 4 | 487.574      | 106.623              | 6.894              | 31.761          | 3.455                                       | 19.423                       | 20.311                    | -                           | -               |
| 5 | 5.521.625    | 1.301.794            | 4.076              | 334.592         | -   | 152.365                      | 139.445                   | -                           | -               |
| 6 | 54.659       | 45.971               | 1.645              | 2.227           | 209   | 21.386                       | 23.408                    | -                           | -               |
| 7 | 4.750.973    | 777.836              | 1.684              | 207.803         | 11.120                                      | 50.566                       | 41.778                    | -                           | -               |
| 8 | 1.049.870    | 204.272              | 59.179             | 94.366          | 744   | 21.004                       | 3.219                     | -                           | -               |
| 9 | 168.909      | 168.895              | 2.891              | 363             | -   | (357)                        | -                         | -                           | -               |

(1) The above financial information is extracted from the financial statements of companies included in the preparation of consolidated financial statements are used as of December 31, 2014.

(iii). Movement schedule of consolidated subsidiaries:

|   | Current Period   | Prior Period       |
|---|------------------|--------------------|
| <b>Balance at the beginning of the period</b>               | <b>2.363.467</b> | <b>3.817.879</b>   |
| <b>Movements during the period</b>                          | <b>71.083</b>    | <b>(1.454.412)</b> |
| Purchases <sup>(1)</sup>                                    | 124.138          | 71.129             |
| Free shares obtained profit from current years share        | -                | 15.107             |
| Share of current year income                                | -                | -                  |
| Sales   | -                | -                  |
| Liquidation <sup>(2)</sup>                                  | (39.558)         | -                  |
| Transfers   | -                | (1.410.080)        |
| Revaluation (decrease) / increase                           | (13.497)         | (130.568)          |
| Impairment provision  | -                | -                  |
| <b>Balance at the end of the period</b>                     | <b>2.434.550</b> | <b>2.363.467</b>   |
| <b>Capital commitments</b>                                  | -                | -                  |
| <b>Shareholding percentage at the end of the period (%)</b> | -                | -                  |

(2) In the Extraordinary end of liquidation General Assembly of YKYO held on July 8, 2014 it was decided to conclude the liquidation process and to pay the remaining liquidation liabilities to the shareholders. In addition, it was decided to delist the official name, information and registry record of the YKYO from the trade registry records and other governmental agencies' records.

## Explanations and notes related to consolidated financial statements (continued)

(iv). Sectoral information on financial subsidiaries and the related carrying amounts:

| Financial Subsidiaries              | Current Period   | Priod Period     |
|-------------------------------------|------------------|------------------|
| Banks                               | 525.238          | 397.955          |
| Insurance companies                 | -                | -                |
| Factoring companies                 | 328.859          | 375.349          |
| Leasing companies                   | 908.760          | 917.855          |
| Finance companies                   | -                | -                |
| Other financial subsidiaries        | 671.693          | 672.308          |
| <b>Total financial subsidiaries</b> | <b>2.434.550</b> | <b>2.363.467</b> |

(v). Subsidiaries quoted on stock exchange:

None (December 31, 2013 - None)

### i. Information on joint ventures (net):

1. Unconsolidated joint ventures: None.

2. Consolidated joint ventures:

(i). Information on consolidated Joint Ventures:

|   | The Parent Bank's<br>shareholding<br>percentage | Group's<br>shareholding<br>percentage | Current<br>assets | Non-<br>current<br>assets | Long term<br>debts | Income        | Expense         |
|---|---|---------------------------------------|-------------------|---------------------------|--------------------|---------------|-----------------|
| Yapı Kredi Koray<br>Gayrimenkul Yatırım<br>Ortaklığı A.Ş. | 30,45   | 30,45                                 | 68.332            | 116.537                   | -                  | 95.369        | (66.412)        |
| <b>Total</b>  |   |                                       | <b>68.332</b>     | <b>116.537</b>            | <b>-</b>           | <b>95.369</b> | <b>(66.412)</b> |

Explanations and notes related to consolidated financial statements (continued)

i. Information on lease receivables (net):

1) Breakdown according to maturities:

|                    | Current Period   |                  | Prior Period     |                  |
|--------------------|------------------|------------------|------------------|------------------|
|                    | Gross            | Net              | Gross            | Net              |
| Less than 1 year   | 1.906.241        | 1.577.071        | 1.895.389        | 1.618.416        |
| Between 1- 4 years | 2.780.122        | 2.273.797        | 2.452.443        | 2.120.668        |
| More than 4 years  | 1.283.932        | 1.154.382        | 269.856          | 238.288          |
| <b>Total</b>       | <b>5.970.295</b> | <b>5.005.250</b> | <b>4.617.688</b> | <b>3.977.372</b> |

2) Information for net investments in finance leases:

|   | Current Period   |                  | Prior Period     |                  |
|---|------------------|------------------|------------------|------------------|
|   | TL               | FC               | TL               | FC               |
| Gross lease receivables                   | 1.660.553        | 4.309.742        | 1.257.705        | 3.359.983        |
| Unearned financial income from leases (-) | (333.304)        | (631.741)        | (233.531)        | (406.785)        |
| Amount of cancelled leases (-)            | -                | -                | -                | -                |
| <b>Total</b>                              | <b>1.327.249</b> | <b>3.678.001</b> | <b>1.024.174</b> | <b>2.953.198</b> |

j. Information on hedging derivative financial assets:

|                                 | Current Period |          | Prior Period   |              |
|---------------------------------|----------------|----------|----------------|--------------|
|                                 | TL             | FC       | TL             | FC           |
| Fair value hedge <sup>(1)</sup> | 177.895        | -        | 307.375        | -            |
| Cash flow hedge <sup>(1)</sup>  | 78.251         | -        | 155.444        | 4.808        |
| Foreign net investment hedge    | -              | -        | -              | -            |
| <b>Total</b>                    | <b>256.146</b> | <b>-</b> | <b>462.819</b> | <b>4.808</b> |

(1) Explained in the note XIII of Section IV.

k. Information on tangible assets:

|  | Immovable      | Leased fixed assets | Vehicles     | Other tangible fixed assets | Total            |
|--|----------------|---------------------|--------------|-----------------------------|------------------|
| <b>Prior Period</b>                              |                |                     |              |                             |                  |
| Cost   | 1.977.369      | 422.378             | 3.745        | 942.201                     | 3.345.693        |
| Accumulated depreciation (-)                     | (1.386.192)    | (323.504)           | (1.989)      | (617.467)                   | (2.329.152)      |
| <b>Net book value</b>                            | <b>591.177</b> | <b>98.874</b>       | <b>1.756</b> | <b>324.734</b>              | <b>1.016.541</b> |
| <b>Current Period</b>                            |                |                     |              |                             |                  |
| <b>Net book value at beginning of the period</b> | <b>591.177</b> | <b>98.874</b>       | <b>1.756</b> | <b>324.734</b>              | <b>1.016.541</b> |
| Additions  | 48             | 6.122               | 32           | 313.873                     | 320.075          |
| Disposals (-), net                               | (800)          | (49)                | (47)         | (46.321)                    | (47.217)         |
| Reversal of impairment, net                      | 925            | -                   | 47           | -                           | 972              |
| Impairment (-)                                   | -              | -                   | -            | -                           | -                |
| Depreciation (-)                                 | (39.819)       | (34.256)            | (367)        | (93.270)                    | (167.712)        |
| Foreign exchange differences, net                | (3.794)        | 1.621               | (128)        | (10.571)                    | (12.872)         |
| <b>Net book value at end of the period</b>       | <b>547.737</b> | <b>72.312</b>       | <b>1.293</b> | <b>488.445</b>              | <b>1.109.787</b> |
| Cost at the end of the period                    | 1.966.626      | 394.322             | 3.404        | 986.814                     | 3.351.166        |
| Accumulated depreciation at the period end (-)   | (1.418.889)    | (322.010)           | (2.111)      | (498.369)                   | (2.241.379)      |
| <b>Current Period</b>                            | <b>547.737</b> | <b>72.312</b>       | <b>1.293</b> | <b>488.445</b>              | <b>1.109.787</b> |

## Explanations and notes related to consolidated financial statements (continued)

As of December 31, 2014, the Parent Bank had total provision for impairment amounting to TL 326.748326.748 (December 31, 2013 – TL 327.673327.673) for the property and equipment.

### I. Information on intangible assets:

|   | Current Period   | Prior Period     |
|---|------------------|------------------|
| <b>Balance at the beginning of the period</b> | <b>1.393.590</b> | <b>1.361.391</b> |
| Additions during the period                   | 173.323          | 131.329          |
| Unused and disposed items (-)                 | (217)            | (183)            |
| Sales of a subsidiary                         | -                | (19.669)         |
| Impairment reversal                           | -                | -                |
| Amortization expenses (-)                     | (110.151)        | (80.594)         |
| Foreign exchange valuation differences        | 821              | 1.316            |
| <b>Balance at the end of the period</b>       | <b>1.457.366</b> | <b>1.393.590</b> |

### m. Information on investment property:

None (December 31, 2013 - None).

### n. Information on deferred tax asset:

|   | Current Period     |                  | Prior Period       |                  |
|---|--------------------|------------------|--------------------|------------------|
|   | Tax base           | Deferred Tax     | Tax base           | Deferred Tax     |
| Temporary differences   | 934.405            | 187.183          | 1.004.869          | 201.149          |
| Derivative financial liabilities                              | 1.324.579          | 256.083          | 1.262.940          | 276.380          |
| Securities portfolio valuation differences                    | 17.344             | 3.468            | 18.499             | 3.700            |
| Subsidiaries, investment in associates and share certificates | 122.117            | 24.423           | 122.117            | 24.423           |
| Other   | 844.582            | 170.007          | 562.614            | 113.756          |
| <b>Total deferred tax asset</b>                               | <b>3.243.027</b>   | <b>641.164</b>   | <b>2.971.039</b>   | <b>619.408</b>   |
| Derivative financial assets                                   | (1.484.690)        | (297.640)        | (2.176.864)        | (447.867)        |
| Valuation difference of securities portfolio                  | (587.640)          | (117.430)        | (206.816)          | (41.366)         |
| Property, equipment and intangibles, net                      | (255.343)          | (40.638)         | (225.745)          | (34.602)         |
| Other   | (79.144)           | (18.861)         | (62.408)           | (12.481)         |
| <b>Total deferred tax liability</b>                           | <b>(2.406.817)</b> | <b>(474.569)</b> | <b>(2.671.833)</b> | <b>(536.316)</b> |
| <b>Deferred tax asset, net<sup>(1)</sup></b>                  | <b>836.210</b>     | <b>166.595</b>   | <b>299.206</b>     | <b>83.092</b>    |

(1) Includes TL 2.439 deferred tax liabilities as of December 31, 2014.

Deferred tax expense amounting to TL 84.08784.087 was recognized in profit and loss statement, whereas deferred tax income amounting to TL 172.108172.108 was recognized directly in equity accounts for the period ended December 31, 2014.

**Explanations and notes related to consolidated financial statements (continued)**

**o. Movement schedule of assets held for resale and related to discontinued operations:**

|   | <b>Current Period</b> | <b>Prior Period</b> |
|---|-----------------------|---------------------|
| <b>Net book value at the beginning of the period</b>  | <b>159.395</b>        | <b>139.653</b>      |
| Additions   | 64.578                | 66.982              |
| Transfers <sup>(1)</sup>                              | -                     | 1.410.080           |
| Disposals (-), net                                    | (63.481)              | (1.453.446)         |
| Impairment provision reversal                         | 979                   | 934                 |
| Impairment provision (-)                              | (566)                 | (302)               |
| Depreciation (-)                                      | (4.958)               | (4.586)             |
| Translation differences                               | (462)                 | 80                  |
| <b>Net book value at the end of the period</b>        | <b>155.485</b>        | <b>159.395</b>      |
| Cost at the end of the period                         | 169.027               | 171.377             |
| Accumulated depreciation at the end of the period (-) | (13.542)              | (11.982)            |
| <b>Net book value at the end of the period</b>        | <b>155.485</b>        | <b>159.395</b>      |

(2) As of July 12, 2013, the transfer of YKS's shares is completed.

As of December 31, 2014, the Group booked impairment provision on assets held for resale with an amount of TL 7.9987.998 (December 31, 2013 - TL 8.4118.411).

**ö. Information on other assets:**

As of December 31, 2014, other assets do not exceed 10% of the total assets.



## Explanations and notes related to consolidated financial statements (continued)

### II. Explanations and notes related to consolidated liabilities:

#### a. Information on deposits:

##### 1. Information on maturity structure of deposits/collected funds:

##### (i). Current Period:

|                             | Demand            | With 7 days<br>notifications | Up to<br>1 month  | 1-3 Months        | 3-6 Months       | 6 Months -<br>1 Year | 1 Year<br>and over | Total              |
|-----------------------------|-------------------|------------------------------|-------------------|-------------------|------------------|----------------------|--------------------|--------------------|
| Saving deposits             | 3.183.189         | 19.203                       | 1.472.508         | 23.308.258        | 1.124.488        | 261.856              | 241.704            | 29.611.206         |
| Foreign currency deposits   | 7.115.405         | 28.095                       | 5.555.497         | 22.185.813        | 3.568.019        | 1.454.480            | 2.297.646          | 42.204.955         |
| Residents in Turkey         | 6.254.086         | 18.288                       | 5.372.527         | 20.979.428        | 1.214.498        | 648.474              | 1.158.253          | 35.645.554         |
| Residents abroad            | 861.319           | 9.807                        | 182.970           | 1.206.385         | 2.353.521        | 806.006              | 1.139.393          | 6.559.401          |
| Public sector deposits      | 899.028           | -                            | -                 | 3.076             | 417              | 516                  | 1                  | 903.038            |
| Commercial deposits         | 4.440.843         | -                            | 4.182.457         | 14.150.955        | 2.814.083        | 501.598              | 124.116            | 26.214.052         |
| Other institutions deposits | 92.324            | -                            | 970.380           | 3.557.132         | 253.563          | 434.066              | 5.740              | 5.313.205          |
| Precious metals vault       | 499.354           | -                            | 1.473             | 91.739            | 29.870           | 49.681               | 168.249            | 840.366            |
| Bank deposits               | 406.111           | 12.744                       | 999.163           | 592.191           | 30.098           | 465.868              | 37.634             | 2.543.809          |
| The CBRT                    | 2                 | -                            | -                 | -                 | -                | -                    | -                  | 2                  |
| Domestic banks              | 2.981             | -                            | 878.853           | 445.203           | -                | 12.715               | 6.333              | 1.346.085          |
| Foreign banks               | 121.380           | 12.744                       | 120.310           | 146.988           | 30.098           | 453.153              | 31.301             | 915.974            |
| Participation banks         | 281.748           | -                            | -                 | -                 | -                | -                    | -                  | 281.748            |
| Other                       | -                 | -                            | -                 | -                 | -                | -                    | -                  | -                  |
|                             | -                 | -                            | -                 | -                 | -                | -                    | -                  | -                  |
| <b>Total</b>                | <b>16.636.254</b> | <b>60.042</b>                | <b>13.181.478</b> | <b>63.889.164</b> | <b>7.820.538</b> | <b>3.168.065</b>     | <b>2.875.090</b>   | <b>107.630.631</b> |

##### (ii). Prior Period:

|                             | Demand            | With 7 days<br>notifications | Up to<br>1 month | 1-3 Month         | 3-6 Month        | 6 Month-<br>1 Year | 1 Year<br>and over | Total             |
|-----------------------------|-------------------|------------------------------|------------------|-------------------|------------------|--------------------|--------------------|-------------------|
| Saving deposits             | 2.767.927         | 3                            | 900.126          | 18.933.100        | 781.300          | 180.664            | 221.297            | 23.784.417        |
| Foreign currency deposits   | 5.614.849         | 31.425                       | 2.254.769        | 26.196.898        | 3.111.597        | 1.302.867          | 3.404.436          | 41.916.841        |
| Residents in Turkey         | 4.643.375         | 26.860                       | 2.128.111        | 25.732.386        | 1.577.097        | 784.777            | 1.526.998          | 36.419.604        |
| Residents abroad            | 971.474           | 4.565                        | 126.658          | 464.512           | 1.534.500        | 518.090            | 1.877.438          | 5.497.237         |
| Public sector deposits      | 715.021           | -                            | 206.687          | 151               | 1.778            | 2.387.769          | 30                 | 3.311.436         |
| Commercial deposits         | 4.006.380         | 10                           | 3.245.660        | 5.628.503         | 269.711          | 165.109            | 85.976             | 13.401.349        |
| Other institutions deposits | 75.070            | -                            | 198.765          | 1.132.227         | 255.756          | 851.554            | 3.759              | 2.517.131         |
| Precious metals vault       | 747.228           | -                            | 1.579            | 114.459           | 43.762           | 96.790             | 173.869            | 1.177.687         |
| Bank deposits               | 540.702           | 100.613                      | 31.559           | 1.100.399         | 78.748           | 375.131            | 145.768            | 2.372.920         |
| The CBRT                    | -                 | -                            | -                | -                 | -                | -                  | -                  | -                 |
| Domestic banks              | 365.130           | -                            | -                | 848.726           | 32.740           | 37.795             | 11.802             | 1.296.193         |
| Foreign banks               | 9.110             | 100.613                      | 31.559           | 251.673           | 46.008           | 337.336            | 133.966            | 910.265           |
| Participation banks         | 166.462           | -                            | -                | -                 | -                | -                  | -                  | 166.462           |
| Other                       | -                 | -                            | -                | -                 | -                | -                  | -                  | -                 |
|                             | -                 | -                            | -                | -                 | -                | -                  | -                  | -                 |
| <b>Total</b>                | <b>14.467.177</b> | <b>132.051</b>               | <b>6.839.145</b> | <b>53.105.737</b> | <b>4.542.652</b> | <b>5.359.884</b>   | <b>4.035.135</b>   | <b>88.481.781</b> |

## Explanations and notes related to consolidated financial statements (continued)

### 2. Information on saving deposits insurance:

#### (i). Information on saving deposits under the guarantee of the saving deposits insurance fund and exceeding the limit of deposit insurance fund:

| Saving deposits <sup>(1)</sup>   | Under the guarantee of deposit insurance |              | Exceeding the limit of the insurance deposit |              |
|--|--|--------------|--|--------------|
|  | Current period                           | Prior period | Current period                               | Prior period |
| Saving deposits  | 14.413.302                               | 12.724.262   | 15.541.985                                   | 11.119.884   |
| Foreign currency savings deposit   | 5.038.690                                | 3.417.838    | 13.437.356                                   | 14.100.882   |
| Other deposits in the form of savings deposits                           | 453.318                                  | 638.262      | 300.290                                      | 423.714      |
| Foreign branches' deposits under foreign authorities' insurance          | -  | -            | -  | -            |
| Off-shore banking regions' deposits under foreign authorities' insurance | -  | -            | -  | -            |

(1) The balances from foreign subsidiaries, calculated in accordance with their own regulation, are included.

#### (ii). Saving deposits which are not under the guarantee of saving deposit insurance fund of real persons:

|   | Current Period | Prior Period |
|---|----------------|--------------|
| Foreign branches' deposits and other accounts   | 6.348          | 6.329        |
| Saving deposits and other accounts of controlling shareholders and deposits of their mother, father, spouse, children in care   | -              | -            |
| Saving deposits and other accounts of president and members of board of directors, CEO and vice presidents and deposits of their mother, father, spouse, children in care | 89.998         | 65.355       |
| Saving deposits and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish criminal law no:5237 dated 26.09.2004           | -              | -            |
| Saving deposits in deposit bank which is established in Turkey in order to engage in off-shore banking activities solely  | -              | -            |

### b. Information on trading derivative financial liabilities:

|                      | Current Period |                | Prior Period   |               |
|----------------------|----------------|----------------|----------------|---------------|
|                      | TL             | FC             | TL             | FC            |
| Forward transactions | 58.781         | 3.942          | 54.945         | 735           |
| Swap transactions    | 610.069        | 132.892        | 585.846        | 62.338        |
| Futures transactions | -              | -              | -              | -             |
| Options              | 31.687         | 22.955         | 134.744        | 25.025        |
| Other                | -              | -              | -              | -             |
| <b>Total</b>         | <b>700.537</b> | <b>159.789</b> | <b>775.535</b> | <b>88.098</b> |

Explanations and notes related to consolidated financial statements (continued)

c. Information on borrowings:

1. Information on borrowings:

|   | Current Period   |                   | Prior Period     |                   |
|---|------------------|-------------------|------------------|-------------------|
|   | TL               | FC                | TL               | FC                |
| The Central Bank of the Republic of Turkey borrowings | -                | -                 | -                | -                 |
| From domestic banks and institutions                  | 1.408.691        | 906.936           | 1.155.299        | 349.000           |
| From foreign banks, institutions and funds            | 662.856          | 18.438.473        | 894.179          | 16.893.089        |
| <b>Total</b>  | <b>2.071.547</b> | <b>19.345.409</b> | <b>2.049.478</b> | <b>17.242.089</b> |

2. Information on maturity structure of borrowings:

|                      | Current Period   |                   | Prior Period     |                   |
|----------------------|------------------|-------------------|------------------|-------------------|
|                      | TL               | FC                | TL               | FC                |
| Short-term           | 1.394.185        | 9.627.189         | 1.627.155        | 8.733.133         |
| Medium and long-term | 677.362          | 9.718.220         | 422.323          | 8.508.956         |
| <b>Total</b>         | <b>2.071.547</b> | <b>19.345.409</b> | <b>2.049.478</b> | <b>17.242.089</b> |

ç. Information on marketable securities issued

|                                  | Current Period   |                   | Prior Period     |                  |
|----------------------------------|------------------|-------------------|------------------|------------------|
|                                  | TL               | FC                | TL               | FC               |
| Bills                            | 1.638.373        | 1.712.209         | 1.165.920        | 827.050          |
| Asset backed securities          | -                | 3.054.498         | -                | 2.576.083        |
| Bonds                            | 1.648.691        | 5.302.166         | 493.857          | 3.359.933        |
| <i>Collateralized securities</i> | <i>462.642</i>   | <i>-</i>          | <i>462.691</i>   | <i>-</i>         |
| <b>Total</b>                     | <b>3.287.064</b> | <b>10.068.873</b> | <b>1.659.777</b> | <b>6.763.066</b> |

The Group classified some of its asset backed securities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition in accordance with IAS 39 paragraph 9. As of December 31, 2014, the total amount of financial liabilities classified as fair value through profit/loss is TL 1.163.996 and the fair value difference is TL 5.673 recognised in the income statement as income.

d. Information on other liabilities:

As of December 31, 2014, other liabilities do not exceed 10% of the total balance sheet commitments.

**Explanations and notes related to consolidated financial statements (continued)**

**e. Information on lease payables:**

1. Information on financial leasing agreements:

None (December 31, 2013 - None).

2. Information on operational leasing agreements:

The Parent Bank enters into operational leasing agreements annually for some of its branches and ATMs. The leases are prepaid and accounted as prepaid expenses under "Other Assets".

**f. Information on hedging derivative financial liabilities:**

|                                 | Current Period |                | Prior Period  |                |
|---------------------------------|----------------|----------------|---------------|----------------|
|                                 | TL             | FC             | TL            | FC             |
| Fair value hedge <sup>(1)</sup> | 657            | -              | -             | -              |
| Cash flow hedge <sup>(1)</sup>  | 228.442        | 211.349        | 30.573        | 355.822        |
| Foreign net investment hedge    | -              | -              | -             | -              |
| <b>Total</b>                    | <b>229.099</b> | <b>211.349</b> | <b>30.573</b> | <b>355.822</b> |

(1) Explained in Note XIII. of Section IV.

**g. Information on provisions:**

1. Information on general provisions:

|   | Current Period   | Prior Period     |
|---|------------------|------------------|
| I. Provisions for first group loans and receivables                         | 1.489.110        | 1.205.781        |
| <i>of which, Provision for Loans and Receivables with Extended Maturity</i> | 61.798           | 60.329           |
| II. Provisions for second group loans and receivables                       | 194.464          | 104.333          |
| <i>of which, Provision for Loans and Receivables with Extended Maturity</i> | 55.839           | 26.777           |
| Provisions for non-cash loans   | 84.796           | 65.880           |
| Other   | 159.451          | 144.879          |
| <b>Total</b>  | <b>1.927.821</b> | <b>1.520.873</b> |

## Explanations and notes related to consolidated financial statements (continued)

### 2. Information on reserve for employee rights:

In accordance with Turkish Labour Law, the reserve for employment termination benefits is calculated as the present value of the probable future obligation in case of the retirement of employees. TAS 19 necessitates actuarial valuation methods to calculate the liabilities of enterprises.

The following actuarial assumptions were used in the calculation of total liabilities:

|  | Current Period | Prior Period |
|--|----------------|--------------|
| Discount rate (%)                                | 3,50           | 4,78         |
| Possibility of being eligible for retirement (%) | 94,11          | 94,59        |

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the annual ceiling is revised semi-annually, the ceiling of full TL 3.541,37 effective from January 1, 2015 (January 1, 2014 - full TL 3.438,22) has been taken into consideration in calculating the reserve for employment termination benefits.

Movement of employment termination benefits liability in the balance sheet:

|   | Current Period | Prior Period   |
|---|----------------|----------------|
| <b>Prior period ending balance</b>      | <b>122.718</b> | <b>142.207</b> |
| Changes during the period               | 28.456         | 35.264         |
| Recognized in equity                    | 21.194         | (20.590)       |
| Paid during the period                  | (31.631)       | (36.712)       |
| Foreign currency differences            | 397            | 2.549          |
| <b>Balance at the end of the period</b> | <b>141.134</b> | <b>122.718</b> |

In addition, the Group has accounted for unused vacation rights provision amounting to TL 136.910136.910 as of December 31, 2014 (December 31, 2013 - TL 115.317115.317).

### 3. Information on provisions related with the foreign currency difference of foreign currency indexed loans:

As of December 31, 2014, the provision related to the foreign currency difference of foreign currency indexed loans amounts to TL 25.12525.125 (December 31, 2013 - TL 691691). Provisions related to the foreign currency difference of foreign currency indexed loans are netted from the loan amount in the financial statements.

**Explanations and notes related to consolidated financial statements (continued)**

4. Other provisions:

(i) Information on other provisions:

|  | Current Period | Prior Period     |
|--|----------------|------------------|
| Pension fund provision   | 654.901        | 767.131          |
| Provisions on unindemnified non cash loans                                     | 82.424         | 73.790           |
| Provisions on credit cards and promotion campaigns related to banking services | 35.877         | 28.804           |
| Provision on export commitment tax and funds liability                         | 44.489         | 41.007           |
| Other  | 155.270        | 200.893          |
| <b>Total</b>   | <b>972.961</b> | <b>1.111.625</b> |

(ii) General reserves for possible losses:

|                                      | Current Period | Prior Period   |
|--------------------------------------|----------------|----------------|
| General reserves for possible losses | 180.211        | 209.470        |
| <b>Total</b>                         | <b>180.211</b> | <b>209.470</b> |

5. Pension fund provision:

The Parent Bank provided provision amounting to TL 654.901 (December 31, 2013 – TL 767.131) for the technical deficit based on the report prepared by a registered actuary in accordance with the technical interest rate of 9,8% determined by the New Law and CSO 1980 mortality table.

|                                   | Current Period | Prior Period |
|-----------------------------------|----------------|--------------|
| Income statement (charge)/benefit | 112.230        | 60.046       |

The amounts recognized in the balance sheet are determined as follows:

|  | Current Period | Prior Period   |
|--|----------------|----------------|
| Present value of funded obligations                            | 1.621.901      | 1.635.549      |
| - Pension benefits transferable to SSI                         | 1.658.083      | 1.543.740      |
| - Post employment medical benefits transferable to SSI         | (36.182)       | 91.809         |
| Fair value of plan assets                                      | (967.000)      | (868.418)      |
| <b>Provision for the actuarial deficit of the pension fund</b> | <b>654.901</b> | <b>767.131</b> |

## Explanations and notes related to consolidated financial statements (continued)

The principal actuarial assumptions used were as follows:

|  | Current Period | Prior Period |
|--|----------------|--------------|
| Discount rate  |                |              |
| - Pension benefits transferable to SSI                 | %9,80          | %9,80        |
| - Post employment medical benefits transferable to SSI | %9,80          | %9,80        |

**Mortality rate:** Average life expectation is defined according to the mortality table based on statistical data, as 13 years for men and 18 years for women who retire at the age of 66 and 64, respectively.

Plan assets are comprised as follows:

|                                     | Current Period |            | Prior Period   |            |
|-------------------------------------|----------------|------------|----------------|------------|
|                                     | Amount         | %          | Amount         | %          |
| Government bonds and treasury bills | 190.168        | 20         | 178.678        | 21         |
| Premises and equipment              | 138.997        | 14         | 304.423        | 35         |
| Bank placements                     | 570.814        | 59         | 339.980        | 39         |
| Short term receivables              | 52.549         | 6          | 30.219         | 3          |
| Other                               | 14.472         | 1          | 15.118         | 2          |
| <b>Total</b>                        | <b>967.000</b> | <b>100</b> | <b>868.418</b> | <b>100</b> |

### ğ. Information on taxes payable:

(i) Information on taxes payable:

|  | Current Period | Prior Period   |
|--|----------------|----------------|
| Corporate Tax Payable                      | 179.027        | 30.573         |
| Taxation of Marketable Securities          | 94.719         | 71.659         |
| Property Tax                               | 2.411          | 2.000          |
| Banking Insurance Transaction Tax ("BITT") | 79.811         | 62.360         |
| Foreign Exchange Transaction Tax           | -              | -              |
| Value Added Tax Payable                    | 10.766         | 7.122          |
| Other                                      | 30.592         | 25.650         |
| <b>Total</b>                               | <b>397.326</b> | <b>199.364</b> |

(ii) Information on premium payables:

|  | Current Period | Prior Period  |
|--|----------------|---------------|
| Social security premiums - employee            | 239            | 187           |
| Social security premiums - employer            | 280            | 219           |
| Bank pension fund premiums - employee          | 11.981         | 9.751         |
| Bank pension fund premiums - employer          | 12.397         | 10.146        |
| Pension fund deposit and provisions - employee | -              | -             |
| Pension fund deposit and provisions - employer | -              | -             |
| Unemployment insurance - employee              | 855            | 695           |
| Unemployment insurance - employer              | 1.711          | 1.392         |
| Other  | -              | -             |
| <b>Total</b>                                   | <b>27.463</b>  | <b>22.390</b> |

**Explanations and notes related to consolidated financial statements (continued)**

(iii) Information on deferred tax liability:

There is a deferred tax liability amounting to TL 2.4392.439 as of December 31, 2014 reflected in the consolidated financial statements after the deferred tax assets and liabilities of each entity in consolidation has been netted off in their standalone financial statements as per TAS 12 (December 31, 2013 – TL 1.3211.321).

**h. Information on subordinated loans<sup>(1)</sup>:**

|                                  | Current Period |                  | Prior Period |                  |
|----------------------------------|----------------|------------------|--------------|------------------|
|                                  | TL             | FC               | TL           | FC               |
| From domestic banks              | -              | -                | -            | -                |
| From other domestic institutions | -              | -                | -            | -                |
| From foreign banks               | -              | 6.770.549        | -            | 6.480.981        |
| From other foreign institutions  | -              | -                | -            | -                |
| <b>Total</b>                     | -              | <b>6.770.549</b> | -            | <b>6.480.981</b> |

(1) Subordinated loans are explained in detail in the Note "Information on debt instruments included in the calculation of equity" in section four.



## Explanations and notes related to consolidated financial statements (continued)

### I. Information on shareholders' equity:

#### 1. Presentation of paid-in capital

|                 | Current Period | Prior Period |
|-----------------|----------------|--------------|
| Common stock    | 4.347.051      | 4.347.051    |
| Preferred stock | -              | -            |

#### 2. Paid-in capital amount, explanation as to whether the registered share capital system is applied and if so, amount of registered share capital ceiling:

The Parent Bank's paid-in-capital is amounting to TL 4.347.051 and in accordance with the decision taken in the Ordinary General Assembly at April 7, 2008, the Parent Bank has switched to the registered capital system and the registered share capital ceiling is TL 10.000.000.

#### 3. Information on the share capital increases during the period and the sources: None (December 31, 2013 - None).

#### 4. Information on transfers from capital reserves to capital during the current period: None.

#### 5. Information on capital commitments, until the end of the fiscal year and the subsequent interim period: None.

#### 6. Information on prior period's indicators on the Group's income, profitability and liquidity, and possible effects of these future assumptions on the Bank's equity due to uncertainties of these indicators:

The interest, liquidity, and foreign exchange risk related to on-balance sheet and off-balance sheet assets and liabilities are managed by the Parent Bank within several risk and legal limits.

#### 7. Privileges on the corporate stock: None.

## Explanations and notes related to consolidated financial statements (continued)

### 8. Information on value increase fund of marketable securities:

|   | Current Period |                | Prior Period     |                |
|---|----------------|----------------|------------------|----------------|
|   | TL             | FC             | TL               | FC             |
| <b>From investments in associates, subsidiaries, and joint ventures</b> | -              | -              | -                | -              |
| Valuation difference  | -              | -              | -                | -              |
| Foreign currency difference <sup>(1)</sup>                              | -              | -              | -                | -              |
| <b>Available for sale securities</b>                                    | <b>193.539</b> | <b>197.929</b> | <b>(241.315)</b> | <b>123.197</b> |
| Valuation differences   | 193.539        | 197.929        | (241.315)        | (123.197)      |
| Foreign currency differences <sup>(1)</sup>                             | -              | -              | -                | -              |
| <b>Total</b>  | <b>193.539</b> | <b>197.929</b> | <b>(241.315)</b> | <b>123.197</b> |

(1) Includes current period foreign currency differences.

### i. Information on minority interest:

|   | Current Period | Prior Period  |
|---|----------------|---------------|
| <b>Period opening balance</b>                 | <b>2.527</b>   | <b>64.792</b> |
| Current period income/(loss)                  | 167            | 237           |
| Dividends paid                                | (47)           | (678)         |
| Translation differences                       | -              | (380)         |
| Transaction done with minority <sup>(2)</sup> | (2.185)        | (33.352)      |
| Other <sup>(1)</sup>                          | -              | (28.092)      |
| <b>Period ending balance</b>                  | <b>462</b>     | <b>2.527</b>  |

(1) Includes the change in the consolidation due to the sales of YKS shares.

(2) Includes the change of the minority purchased of YKYO which is liquidated.

## Explanations and notes related to consolidated financial statements (continued)

### III. Explanations and notes related to consolidated off-balance sheet accounts

#### a. Information on off balance sheet commitments:

1. The amount and type of irrevocable commitments:

|                                   | Current Period    | Prior Period      |
|-----------------------------------|-------------------|-------------------|
| Commitments on credit card limits | 25.612.776        | 21.610.762        |
| Loan granting commitments         | 8.125.659         | 6.394.154         |
| Commitments for cheques           | 5.981.382         | 5.385.711         |
| Other irrevocable commitments     | 6.703.313         | 11.657.414        |
| <b>Total</b>                      | <b>46.423.130</b> | <b>45.048.041</b> |

2. Type and amount of probable losses and obligations arising from off-balance sheet items:

Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments". The Group set aside general provision for its non-cash loans amounting to TL 84.79684.796 (December 31, 2013 - TL 65.88065.880) and specific provision amounting to TL 381.510381.510 (December 31, 2013 - TL 334.113334.113) for non-cash loans which are not indemnified yet amounting to TL 82.42482.424 (December 31, 2013 - TL 73.79073.790).

- 2(i). Non-cash loans including guarantees, bank acceptance loans, collaterals that are accepted as financial guarantees and other letter of credits:

|                                  | Current Period    | Prior Period      |
|----------------------------------|-------------------|-------------------|
| Bank acceptance loans            | 126.982           | 118.686           |
| Letter of credits                | 7.859.833         | 6.710.481         |
| Other guarantees and collaterals | 2.774.812         | 3.611.450         |
| <b>Total</b>                     | <b>10.761.627</b> | <b>10.440.617</b> |

- 2(ii). Guarantees, surety ships and other similar transactions:

|                                       | Current Period    | Prior Period      |
|---------------------------------------|-------------------|-------------------|
| Temporary letter of guarantees        | 1.825.976         | 1.275.206         |
| Definite letter of guarantees         | 27.510.437        | 18.915.412        |
| Advance letter of guarantees          | 4.339.852         | 4.459.399         |
| Letter of guarantees given to customs | 2.069.847         | 1.373.468         |
| Other letter of guarantees            | 2.249.100         | 1.623.814         |
| <b>Total</b>                          | <b>37.995.212</b> | <b>27.647.299</b> |

**Explanations and notes related to consolidated financial statements (continued)**

3(i). Total amount of non-cash loans:

|  | Current Period    | Prior Period      |
|--|-------------------|-------------------|
| Non-cash loans given against cash loans              | 1.980.658         | 1.384.229         |
| With original maturity of 1 year or less than 1 year | 360.254           | 146.909           |
| With original maturity of more than 1 year           | 1.620.404         | 1.237.320         |
| Other non-cash loans                                 | 46.776.181        | 36.703.687        |
| <b>Total</b>   | <b>48.756.839</b> | <b>38.087.916</b> |

3(ii) Information on sectoral concentration of non-cash loans:

|                                      | Current Period    |               |                   |               | Prior Period      |               |                   |               |
|--------------------------------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|
|                                      | TL                | (%)           | FC                | (%)           | TL                | (%)           | FC                | (%)           |
| <b>Agricultural</b>                  | <b>196.602</b>    | <b>1,22</b>   | <b>328.672</b>    | <b>1,00</b>   | <b>149.219</b>    | <b>1,15</b>   | <b>286.469</b>    | <b>1,14</b>   |
| Farming and raising livestock        | 160.024           | 1,00          | 286.518           | 0,87          | 120.504           | 0,93          | 250.704           | 1,00          |
| Forestry                             | 30.413            | 0,19          | 19.070            | 0,06          | 23.781            | 0,18          | 15.860            | 0,06          |
| Fishing                              | 6.165             | 0,04          | 23.084            | 0,07          | 4.934             | 0,04          | 19.905            | 0,08          |
| <b>Manufacturing</b>                 | <b>6.906.723</b>  | <b>43,21</b>  | <b>15.750.516</b> | <b>48,06</b>  | <b>5.435.621</b>  | <b>42,14</b>  | <b>11.128.192</b> | <b>44,17</b>  |
| Mining                               | 861.448           | 5,39          | 1.329.664         | 4,06          | 784.397           | 6,08          | 823.901           | 3,27          |
| Production                           | 5.354.725         | 33,50         | 12.607.283        | 38,47         | 4.052.815         | 31,42         | 8.794.606         | 34,91         |
| Electric, gas and water              | 690.550           | 4,32          | 1.813.569         | 5,53          | 598.409           | 4,64          | 1.509.685         | 5,99          |
| <b>Construction</b>                  | <b>4.071.437</b>  | <b>25,47</b>  | <b>6.709.671</b>  | <b>20,47</b>  | <b>3.395.001</b>  | <b>26,32</b>  | <b>6.347.603</b>  | <b>25,20</b>  |
| <b>Services</b>                      | <b>2.937.242</b>  | <b>18,38</b>  | <b>6.898.215</b>  | <b>21,05</b>  | <b>2.791.833</b>  | <b>21,64</b>  | <b>5.097.488</b>  | <b>20,25</b>  |
| Wholesale and retail trade           | 1.381.946         | 8,65          | 2.632.317         | 8,03          | 1.171.783         | 9,08          | 2.327.424         | 9,24          |
| Hotel, food and beverage services    | 118.296           | 0,74          | 303.617           | 0,93          | 120.130           | 0,93          | 136.859           | 0,54          |
| Transportation and telecommunication | 363.853           | 2,28          | 1.570.946         | 4,79          | 332.783           | 2,58          | 568.268           | 2,26          |
| Financial institutions               | 340.457           | 2,13          | 1.365.876         | 4,17          | 722.895           | 5,60          | 1.066.851         | 4,24          |
| Real estate and renting services     | 248.093           | 1,55          | 306.883           | 0,94          | 144.743           | 1,12          | 419.479           | 1,67          |
| Self-employment services             | -                 | -             | -                 | -             | -                 | -             | -                 | -             |
| Education services                   | 18.842            | 0,12          | 3.697             | 0,01          | 18.745            | 0,15          | 4.124             | 0,02          |
| Health and social services           | 465.755           | 2,91          | 714.879           | 2,18          | 280.754           | 2,18          | 574.483           | 2,28          |
| <b>Other</b>                         | <b>1.871.219</b>  | <b>11,72</b>  | <b>3.086.542</b>  | <b>9,42</b>   | <b>1.127.284</b>  | <b>8,75</b>   | <b>2.329.206</b>  | <b>9,24</b>   |
| <b>Total</b>                         | <b>15.983.223</b> | <b>100,00</b> | <b>32.773.616</b> | <b>100,00</b> | <b>12.898.958</b> | <b>100,00</b> | <b>25.188.958</b> | <b>100,00</b> |

Explanations and notes related to consolidated financial statements (continued)

3(iii) Information on non-cash loans classified in Group I. and Group II:

| Current Period                      | Group I           |                   | Group II       |               |
|-------------------------------------|-------------------|-------------------|----------------|---------------|
|                                     | TL                | FC                | TL             | FC            |
| <b>Non-cash loans</b>               |                   |                   |                |               |
| Letters of guarantee                | 15.593.060        | 22.007.956        | 320.358        | 73.838        |
| Bank acceptances                    | -                 | 124.663           | -              | 2.319         |
| Letters of credit                   | 3                 | 7.857.458         | -              | 2.372         |
| Endorsements                        | -                 | -                 | -              | -             |
| Underwriting commitments            | -                 | -                 | -              | -             |
| Factoring guarantees                | -                 | -                 | -              | -             |
| Other commitments and contingencies | 69.802            | 2.698.440         | -              | 6.570         |
| <b>Total</b>                        | <b>15.662.865</b> | <b>32.688.517</b> | <b>320.358</b> | <b>85.099</b> |

| Prior Period                        | Group I           |                   | Group II       |               |
|-------------------------------------|-------------------|-------------------|----------------|---------------|
|                                     | TL                | FC                | TL             | FC            |
| <b>Non-cash loans</b>               |                   |                   |                |               |
| Letters of guarantee                | 12.663.136        | 14.776.419        | 155.264        | 52.480        |
| Bank acceptances                    | -                 | 118.517           | -              | 169           |
| Letters of credit                   | 1.208             | 6.709.273         | -              | -             |
| Endorsements                        | -                 | -                 | -              | -             |
| Underwriting commitments            | -                 | -                 | -              | -             |
| Factoring guarantees                | -                 | -                 | -              | -             |
| Other commitments and contingencies | 79.350            | 3.532.100         | -              | -             |
| <b>Total</b>                        | <b>12.743.694</b> | <b>25.136.309</b> | <b>155.264</b> | <b>52.649</b> |

3(iv) Maturity distribution of non cash loans:

| Current Period <sup>(1)</sup> | Indefinite        | Up to            | 1-5              | Above            | Total             |
|-------------------------------|-------------------|------------------|------------------|------------------|-------------------|
|                               |                   | 1 year           | years            | 5 years          |                   |
| Letter of credit              | 4.991.798         | 2.361.487        | 506.243          | 305              | 7.859.833         |
| Letter of guarantee           | 32.914.935        | 310.385          | 4.114.862        | 655.030          | 37.995.212        |
| Bank acceptances              | 126.639           | 343              | -                | -                | 126.982           |
| Other                         | 702.860           | 120.775          | 1.366.233        | 584.944          | 2.774.812         |
| <b>Total</b>                  | <b>38.736.232</b> | <b>2.792.990</b> | <b>5.987.338</b> | <b>1.240.279</b> | <b>48.756.839</b> |
| Prior Period <sup>(1)</sup>   | Indefinite        | Up to            | 1-5              | Above            | Total             |
|                               |                   | 1 year           | years            | 5 years          |                   |
| Letter of credit              | 4.200.894         | 2.203.350        | 305.441          | 796              | 6.710.481         |
| Letter of guarantee           | 14.985.676        | 3.699.173        | 8.030.583        | 931.867          | 27.647.299        |
| Bank acceptances              | 118.686           | -                | -                | -                | 118.686           |
| Other                         | 328.556           | 1.731.701        | 1.156.224        | 394.969          | 3.611.450         |
| <b>Total</b>                  | <b>19.633.812</b> | <b>7.634.224</b> | <b>9.492.248</b> | <b>1.327.632</b> | <b>38.087.916</b> |

(1) The distribution is based on the original maturities.

**Explanations and notes related to consolidated financial statements (continued)**

**b. Information on derivative financial instruments:**

|  | <b>Current Period</b> | <b>Prior Period</b> |
|--|-----------------------|---------------------|
| Types of trading transactions                              |                       |                     |
| Foreign currency related derivative transactions (I)       | 95.117.720            | 87.093.268          |
| FC trading forward transactions                            | 7.119.997             | 9.463.616           |
| Trading swap transactions                                  | 78.505.376            | 64.982.398          |
| Futures transactions                                       | -                     | -                   |
| Trading option transactions                                | 9.492.347             | 12.647.254          |
| Interest related derivative transactions (II)              | 23.052.540            | 15.426.976          |
| Forward interest rate agreements                           | -                     | -                   |
| Interest rate swaps  | 15.959.242            | 10.566.324          |
| Interest rate options                                      | 7.093.298             | 4.860.652           |
| Interest rate futures                                      | -                     | -                   |
| Other trading derivative transactions (III)                | 9.343.196             | 2.482.678           |
| <b>A. Total trading derivative transactions (I+II+III)</b> | <b>127.513.456</b>    | <b>105.002.922</b>  |
| Types of hedging derivative transactions                   |                       |                     |
| Transactions for fair value hedge                          | 1.180.422             | 2.610.975           |
| Cash flow hedges   | 40.767.075            | 35.017.718          |
| Transactions for foreign net investment hedge              | -                     | -                   |
| <b>B. Total hedging related derivatives</b>                | <b>41.947.497</b>     | <b>37.628.693</b>   |
| <b>Total derivative transactions (A+B)</b>                 | <b>169.460.953</b>    | <b>142.631.615</b>  |

**c. Information on credit derivatives and risk exposures:**

Derivative portfolio of the Group includes credit default swaps for TL 1.217.4301.217.430 for the period ended December 31, 2014. Credit default swaps linked to credit link notes are for the purposes protection seller and included in this figure (December 31, 2013 – TL 1.210.1601.210.160).

**ç. Information on contingent liabilities and assets:**

The Group has recorded a provision of TL 81.05681.056 (December 31, 2013 – TL 68.69168.691) for litigations against the Group and has accounted for it in accompanying consolidated the financial statements under the “Other provisions” account. Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee any cash outflows for such claim.

**d. Information on services in the name and account of others:**

The Group’s activities such as intermediation and custody to serve the investment needs of customers are followed up under off balance sheet accounts.

Explanations and notes related to consolidated financial statements (continued)

IV. Explanations and notes related to consolidated income statement:

a. Information on interest income:

1. Information on interest income on loans:

|  | Current Period   |                  | Prior Period     |                  |
|--|------------------|------------------|------------------|------------------|
|  | TL               | FC               | TL               | FC               |
| Short-term loans <sup>(1)</sup>                          | 4.025.822        | 262.885          | 3.244.278        | 219.177          |
| Medium/long-term loans <sup>(1)</sup>                    | 3.787.374        | 1.737.098        | 2.901.328        | 1.305.086        |
| Interest on loans under follow-up                        | 100.029          | 533              | 104.305          | 2.408            |
| Premiums received from resource utilisation support fund | -                | -                | -                | -                |
| <b>Total</b>   | <b>7.913.225</b> | <b>2.000.516</b> | <b>6.249.911</b> | <b>1.526.671</b> |

(1) Includes fees and commissions received for cash loans.

2. Information on interest income on banks:

|                                  | Current Period |               | Prior Period  |               |
|----------------------------------|----------------|---------------|---------------|---------------|
|                                  | TL             | FC            | TL            | FC            |
| From the CBRT                    | -              | -             | -             | -             |
| From domestic banks              | 102.265        | 10            | 75.974        | 9.747         |
| From foreign banks               | 5.047          | 15.629        | 3.480         | 17.087        |
| Headquarters and branches abroad | -              | -             | -             | -             |
| <b>Total</b>                     | <b>107.312</b> | <b>15.639</b> | <b>79.454</b> | <b>26.834</b> |

3. Information on interest income on marketable securities:

|  | Current Period   |                | Prior Period     |                |
|--|------------------|----------------|------------------|----------------|
|  | TL               | FC             | TL               | FC             |
| From trading financial assets                              | 2.143            | 1.235          | 8.451            | 2.695          |
| From financial assets at fair value through profit or loss | -                | -              | -                | -              |
| From available-for-sale financial assets                   | 1.215.336        | 203.432        | 726.968          | 377.084        |
| From held-to-maturity investments                          | 239.032          | 199.986        | 266.457          | 158.184        |
| <b>Total</b>   | <b>1.456.511</b> | <b>404.653</b> | <b>1.001.876</b> | <b>537.963</b> |

4. Information on interest income received from associates and subsidiaries:

|   | Current Period | Prior Period |
|---|----------------|--------------|
| Interests received from associates and subsidiaries | 4.534          | 2.824        |

**Explanations and notes related to consolidated financial statements (continued)**

**b. Information on interest expense:**

1. Information on interest expense on borrowings:

|                                  | Current Period |                | Prior Period  |                |
|----------------------------------|----------------|----------------|---------------|----------------|
|                                  | TL             | FC             | TL            | FC             |
| Banks                            | 134.228        | 708.634        | 94.565        | 683.336        |
| The CBRT                         | -              | -              | -             | -              |
| Domestic banks                   | 46.169         | 9.536          | 36.690        | 11.975         |
| Foreign banks                    | 88.059         | 699.098        | 57.875        | 671.361        |
| Headquarters and branches abroad | -              | -              | -             | -              |
| Other institutions               | 20             | 8.125          | -             | 364            |
| <b>Total<sup>(1)</sup></b>       | <b>134.248</b> | <b>716.759</b> | <b>94.565</b> | <b>683.700</b> |

(1) Includes fees and commissions related to borrowings.

2. Information on interest expense to associates and subsidiaries:

|   | Current Period | Prior Period |
|---|----------------|--------------|
| Interests paid to associates and subsidiaries | 1.463          | 1.188        |

3. Information on interest expense to marketable securities issued:

|  | Current Period |                | Prior Period   |                |
|--|----------------|----------------|----------------|----------------|
|  | TL             | FC             | TL             | FC             |
| Interest expense to marketable securities issued | 242.454        | 271.428        | 121.263        | 148.959        |
| <b>Total</b>                                     | <b>242.454</b> | <b>271.428</b> | <b>121.263</b> | <b>148.959</b> |

4. Maturity structure of the interest expense on deposits:

| Account name                     | Demand deposit | Up to 1 month  | Up to 3 months   | Up to 6 months | Up to 1 year   | More than 1 year | Cumulative deposit | Total            | Prior Period     |
|----------------------------------|----------------|----------------|------------------|----------------|----------------|------------------|--------------------|------------------|------------------|
| <b>TL</b>                        |                |                |                  |                |                |                  |                    |                  |                  |
| Bank deposit                     | 294            | 9.677          | 398              | 135            | 2.691          | -                | -                  | 13.195           | 13.685           |
| Saving deposit                   | 1              | 76.397         | 1.918.995        | 85.047         | 38.918         | 17.091           | -                  | 2.136.449        | 1.580.452        |
| Public sector deposit            | -              | 32             | 2.895            | 51             | 45             | -                | -                  | 3.023            | 795              |
| Commercial deposit               | 44             | 174.465        | 854.749          | 137.599        | 48.224         | 8.540            | -                  | 1.223.621        | 808.536          |
| Other deposit                    | -              | 10.258         | 283.170          | 37.040         | 114.743        | 512              | -                  | 445.723          | 351.795          |
| Deposit with 7 days notification | -              | -              | -                | -              | -              | -                | -                  | -                | -                |
| <b>Total</b>                     | <b>339</b>     | <b>270.829</b> | <b>3.060.207</b> | <b>259.872</b> | <b>204.621</b> | <b>26.143</b>    | <b>-</b>           | <b>3.822.011</b> | <b>2.755.263</b> |
| <b>FC</b>                        |                |                |                  |                |                |                  |                    |                  |                  |
| Foreign currency deposit         | 3.135          | 171.952        | 583.707          | 43.798         | 33.526         | 86.911           | -                  | 923.029          | 776.673          |
| Bank deposit                     | 87             | 4.299          | 4.557            | 5.415          | 10.302         | 1.086            | -                  | 25.746           | 23.076           |
| Deposit with 7 days notification | -              | -              | -                | -              | -              | -                | -                  | -                | -                |
| Precious metal vault             | -              | 649            | 1.451            | 137            | 231            | 33               | -                  | 2.501            | 2.665            |
| <b>Total</b>                     | <b>3.222</b>   | <b>176.900</b> | <b>589.715</b>   | <b>49.350</b>  | <b>44.059</b>  | <b>88.030</b>    | <b>-</b>           | <b>951.276</b>   | <b>802.414</b>   |
| <b>Grand total</b>               | <b>3.561</b>   | <b>447.729</b> | <b>3.649.922</b> | <b>309.222</b> | <b>248.680</b> | <b>114.173</b>   | <b>-</b>           | <b>4.773.287</b> | <b>3.557.677</b> |



Explanations and notes related to consolidated financial statements (continued)

c. Information on dividend income:

|   | Current Period | Prior Period  |
|---|----------------|---------------|
| Trading financial assets                              | -              | -             |
| Financial assets at fair value through profit or loss | -              | -             |
| Available-for-sale financial assets                   | 32             | 3.235         |
| Other   | 9.319          | 12.008        |
| <b>Total</b>  | <b>9.351</b>   | <b>15.243</b> |

ç. Information on trading gain/loss (net):

|   | Current Period      | Prior Period        |
|---|---------------------|---------------------|
| <b>Gain</b>                             | <b>37.037.115</b>   | <b>30.378.541</b>   |
| Gain from capital market transactions   | 310.974             | 630.378             |
| Derivative financial transaction gains  | 8.269.427           | 10.527.461          |
| Foreign exchange gains                  | 28.456.714          | 19.220.702          |
| <b>Loss(-)</b>                          | <b>(37.273.769)</b> | <b>(29.990.815)</b> |
| Loss from capital market transactions   | (32.173)            | (58.559)            |
| Derivative financial transaction losses | (9.548.672)         | (8.915.394)         |
| Foreign exchange loss                   | (27.692.924)        | (21.016.862)        |
| <b>Net gain/loss</b>                    | <b>(236.654)</b>    | <b>387.726</b>      |

d. Information on gain/loss from derivative financial transactions:

The amount of net income from derivative financial transactions related to exchange rate changes is TL 707.009707.009 (December 31, 2013December 31, 2013 - TL 2.213.9112.213.911 loss).

e. Information on other operating income:

Other operating income mainly results from collections from provisions recorded as expense, release of provisions and sale of fixed assets.

Explanations and notes related to consolidated financial statements (continued)

f. Provision for impairment of loans and other receivables:

|   | Current Period   | Prior Period     |
|---|------------------|------------------|
| Specific provisions for loans and other receivables                                   | 1.321.488        | 1.158.549        |
| III. Group loans and receivables  | 47.437           | 33.343           |
| IV. Group loans and receivables   | 130.539          | 69.695           |
| V. Group loans and receivables  | 1.143.512        | 1.055.511        |
| General provision expenses  | 467.753          | 233.042          |
| Provision expense for possible risks  | 25.256           | 57.854           |
| Marketable securities impairment expenses <sup>(1)</sup>                              | 55.459           | 31.124           |
| Financial assets at fair value through profit or loss                                 | 565              | 1.436            |
| Available-for-sale financial assets   | 54.894           | 29.688           |
| Impairment of investments in associates, subsidiaries and held-to-maturity securities | 35.360           | 32.081           |
| Investments in associates   | -                | -                |
| Subsidiaries  | -                | -                |
| Joint ventures  | -                | -                |
| Held-to-maturity investments <sup>(1)</sup>   | 35.360           | 32.081           |
| Other   | 33.413           | 39.471           |
| <b>Total</b>  | <b>1.938.729</b> | <b>1.552.121</b> |

(2) Includes amortisation of the premiums paid during the purchase of the securities throughout the maturity of the securities and the impairment provisions, if any.

g. Information related to other operating expenses:

|   | Current Period   | Prior Period     |
|---|------------------|------------------|
| Personnel expenses  | 1.710.692        | 1.456.388        |
| Reserve for employee termination benefits   | 520              | 7.652            |
| Provision expense for pension fund  | -                | -                |
| Impairment expenses of property and equipment   | -                | -                |
| Depreciation expenses of property and equipment   | 167.712          | 164.747          |
| Impairment expenses of intangible assets  | -                | -                |
| Goodwill impairment expenses  | -                | -                |
| Amortisation expenses of intangible assets  | 110.151          | 80.594           |
| Impairment expenses of equity participations for which equity method is applied                 | -                | -                |
| Impairment expenses of assets held for resale   | 566              | 302              |
| Depreciation expenses of assets held for resale   | 4.958            | 4.586            |
| Impairment expenses of fixed assets held for sale and assets related to discontinued operations | -                | -                |
| Other operating expenses  | 1.400.631        | 1.193.135        |
| Operational lease expenses  | 205.467          | 172.856          |
| Repair and maintenance expenses   | 83.428           | 68.083           |
| Advertising expenses  | 136.166          | 114.012          |
| Other expense   | 975.570          | 838.184          |
| Loss on sales of assets   | 32.400           | 304              |
| Other   | 718.651          | 635.638          |
| <b>Total</b>  | <b>4.146.281</b> | <b>3.543.346</b> |

## Explanations and notes related to consolidated financial statements (continued)

### ğ. Explanations on income/loss from continuing operations and discontinued operations before tax:

Income before tax includes net interest income amounting to TL 5.973.3005.973.300 (December 31, 2013 - TL 5.066.4355.066.435), net fee and commission income amounting to TL 2.343.0152.343.015 (December 31, 2013 - TL 2.136.1882.136.188) and total other operating expense amounting TL 4.146.2814.146.281 (December 31, 2013 - TL 3.543.3463.543.346).

As of December 31, 2014, the Group has no profit before taxes from discontinued operations (December 31, 2013 – TL 1.407.7971.407.797).

### h. Provision for taxes on income from continuing operations and discontinued operations:

As of December 31, 2014, the Group has current tax expense amounting to TL 784.504784.504 (December 31, 2013 - TL 223.229223.229) and deferred tax income amounting to TL 172.108172.108 (December 31, 2013 - TL 406.573406.573 deferred tax expense).

As at December 31, 2014 the Group has no current and deferred tax income / (expense) related to discontinued operations (December 31, 2013 – TL 81.78581.785 current tax expense and no deferred tax income / expense).

|  | Current Period | Prior Period   |
|--|----------------|----------------|
| Profit before tax                                | 2.668.578      | 4.370.776      |
| Tax calculated at rate of 20%                    | 533.716        | 874.155        |
| Nondeductible expenses, discounts and other, net | 78.680         | (162.568)      |
| <b>Total</b>                                     | <b>612.396</b> | <b>711.587</b> |

### i. Information on net income/loss for the period:

1. The characteristics, dimension and recurrence of income or expense items arising from ordinary banking transactions do not require any additional explanation to understand the Group's current period performance.
2. Information on any change in the accounting estimates concerning the current period or future periods: None

### i. Income/loss of minority interest:

|                                    | Current Period | Prior Period |
|------------------------------------|----------------|--------------|
| Income/(loss) of minority interest | 167            | 237          |

### j. Other items in income statement:

"Other fees and commissions received" in income statement mainly includes commissions and fees from credit cards and banking transactions.

## Explanations and notes related to consolidated financial statements (continued)

### V. Explanations and notes related to consolidated statement of changes in shareholders' equity

#### a. Information on dividends:

Authorised body for profit appropriation of the current period is General Assembly. As of the preparation date of these financial statements, annual ordinary meeting of the General Assembly has not been held yet.

#### b. Information on increase/decrease amounts resulting from merger:

None.

#### c. Information on increase/decrease amounts resulting from merger:

"Unrealised gain/loss" arising from changes in the fair value of securities classified as available-for-sale are not recognized in current year income statement but recognized in the "Marketable securities valuation differences" account under equity, until the financial assets are derecognised, sold, disposed or impaired.

#### ç. Hedging transactions:

The Parent Bank has begun to apply cash flow hedge accounting in order to hedge the risk of cash flow of its liabilities from January 1, 2010. In the scope of this application, the derivative financial instruments are specified as floating rate and fixed rate interest payment USD, EUR and TL interest rate swaps, hedging liabilities as the USD, EUR and TL customer deposits, repos, cash outflows due to re-pricing of loans because of the expected interest rate financing. In this context, fair value change of the effective portion of derivative financial instruments accounted in equity hedge funds, taking into account tax effects. Such amount as of December 31, 2014 is TL 297.009297.009 loss (December 31, 2013 – TL 115.117115.117 loss).

The Group hedges part of the currency translation risk of net investments in foreign operations through foreign currency borrowings. The Group's Euro denominated borrowing is designated as a hedge of the net investment in the Group's certain EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at December 31, 2014 is EUR 275275 million (December 31, 2013 - EUR 275275 million). The foreign exchange loss of TL 215.653215.653 (December 31, 2013 - TL 241.119241.119 foreign exchange loss), net of tax, on translation of the borrowing to TL at the statement of financial position date is recognized in "hedging reserves" in equity.

#### d. Information on share issue premium:

Explained in details in Note XIX of Section Three.

## Explanations and notes related to consolidated financial statements (continued)

### VI. Explanations and notes related to consolidated statement of cash flows

#### a. Information on cash and cash equivalent:

- Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash and foreign currency balances together with demand deposits at banks including the unrestricted amounts of CBRT are defined as "Cash"; money market placements and time deposits in banks with original maturities of less than three months are defined as "Cash Equivalents".

- Effect of a change in the accounting policies: None.
- Reconciliation of cash and cash equivalent items with balance sheet and cash flow statements:
- (i). Cash and cash equivalents at the beginning of period:

|  | Current Period    | Prior Period      |
|--|-------------------|-------------------|
| <b>Cash</b>                            | <b>5.397.292</b>  | <b>5.386.164</b>  |
| Cash and effectives                    | 1.806.589         | 1.546.923         |
| Demand deposits in banks               | 3.590.703         | 3.839.241         |
| <b>Cash equivalents</b>                | <b>5.083.136</b>  | <b>5.446.125</b>  |
| Interbank money market                 | 2.922.052         | 2.768.409         |
| Deposits in bank                       | 2.161.084         | 2.677.716         |
| <b>Total cash and cash equivalents</b> | <b>10.480.428</b> | <b>10.832.289</b> |

- (ii). Cash and cash equivalents at the end of the period:

|  | Current Period    | Prior Period      |
|--|-------------------|-------------------|
| <b>Cash</b>                            | <b>7.840.395</b>  | <b>5.397.292</b>  |
| Cash and effectives                    | 2.281.092         | 1.806.589         |
| Demand deposits in banks               | 5.559.303         | 3.590.703         |
| <b>Cash equivalents</b>                | <b>3.186.301</b>  | <b>5.083.136</b>  |
| Interbank money market                 | 1.567.096         | 2.922.052         |
| Deposits in bank                       | 1.619.205         | 2.161.084         |
| <b>Total cash and cash equivalents</b> | <b>11.026.696</b> | <b>10.480.428</b> |

#### b. Information on cash and cash equivalents those are not in use due to legal limitations and other reasons:

As of December 31, 2014, the Group's reserve deposits, including those at foreign banks and the TL reserve requirements, amount to TL 20.785.11720.785.117 (December 31, 2013 - TL 17.068.83817.068.838).

**Explanations and notes related to consolidated financial statements (continued)**

**c. Explanations on other items in the statement of cash flows and the effects of the change in foreign exchange rates on cash and cash equivalents:**

Decrease in "Other account" amounting to TL 314.960314.960 (December 31, 2013 – TL 4.784.1854.784.185 decrease) which is classified under "Operating profit before changes in operating assets and liabilities" includes fee and commissions given, other operating expenses excluding personnel expenses and foreign exchange gains/losses.

Increase in "Net increase/decrease in other liabilities" amounting to TL 2.992.1562.992.156 (December 31, 2013 - TL 837.563837.563 increase) which is classified under "Changes in operating assets and liabilities" mainly arises from changes in miscellaneous payables, subordinated loans and other liabilities.

The effects of the change in foreign exchange rates on cash and cash equivalents are calculated as an increase approximately of TL 121.307121.307 as of December 31, 2014 (December 31, 2013 - TL 836.133836.133 decrease).

**VII. Explanations and notes related to Group's merger, transfers and companies acquired by Bank**

None.

## VIII. Explanations and notes related to Group's risk group

### a. The volume of transactions relating to the Group's risk group, outstanding loan and deposit transactions and profit and loss of the period:

#### 1. Information on loans of the Group's risk group:

| Current Period<br>Group's risk group <sup>(1)(2)</sup> | Associates, subsidiaries<br>and joint ventures |           | Direct and indirect<br>shareholders of the<br>Group |              | Other real and legal<br>persons that have been<br>included in the risk group |               |
|--|--|-----------|---|--------------|--|---------------|
|  | Cash   | Non-cash  | Cash  | Non-cash     | Cash   | Non-cash      |
| Loans and other receivables                            |  |           |   |              |  |               |
| Balance at the beginning of the period                 | 88.320   | 3.769     | 127.213   | 450.294      | 903.056  | 1.029.707     |
| Balance at the end of the period                       | 88.339   | 5.916     | 47.956  | 536.763      | 1.320.617  | 2.117.169     |
| <b>Interest and commission income received</b>         | <b>4.534</b>                                   | <b>57</b> | <b>5.065</b>  | <b>4.100</b> | <b>112.997</b>   | <b>10.095</b> |

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.

(2) The information in table above includes loans and due from banks as well as marketable securities.

| Prior Period<br>Group's risk group <sup>(1)(2)</sup>          | Associates, subsidiaries<br>and joint ventures |           | Direct and indirect<br>shareholders of the<br>Bank |              | Other real and legal<br>persons that have been<br>included in the risk group |               |
|---|--|-----------|--|--------------|--|---------------|
|   | Cash   | Non-cash  | Cash   | Non-cash     | Cash   | Non-cash      |
| Loans and other receivables                                   |  |           |  |              |  |               |
| Balance at the beginning of the period                        | 35.480   | 2.559     | 361.814  | 403.915      | 777.335  | 937.437       |
| Balance at the end of the period                              | 88.320   | 3.769     | 127.213  | 450.294      | 903.056  | 1.029.707     |
| <b>Interest and commission income received <sup>(3)</sup></b> | <b>2.824</b>                                   | <b>30</b> | <b>9.817</b>                                       | <b>2.348</b> | <b>65.738</b>  | <b>13.047</b> |

(1) Defined in subsection 2 of the 49th article of Banking Act No. 5411.

(2) The information in table above includes loans and due from banks as well as marketable securities.

#### 2. Information on deposits of the Group's risk group:

| Group's risk group <sup>(1)(2)</sup>    | Associates, subsidiaries<br>and joint ventures |              | Direct and indirect<br>shareholders of the Bank |                | Other real and legal<br>persons that have been<br>included in the risk group |                |
|---|--|--------------|---|----------------|--|----------------|
|   | Current Period                                 | Prior Period | Current Period                                  | Prior Period   | Current Period   | Prior Period   |
| Deposit                                 |  |              |   |                |  |                |
| Beginning of the period                 | 6.688  | 15.788       | 15.480.464                                      | 8.646.705      | 6.544.935  | 8.339.879      |
| End of the period                       | 121.840  | 6.688        | 13.660.682                                      | 15.480.464     | 10.291.156   | 6.544.935      |
| <b>Interest expense on<br/>deposits</b> | <b>1.463</b>                                   | <b>1.188</b> | <b>581.190</b>                                  | <b>443.293</b> | <b>304.426</b>   | <b>264.308</b> |

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.

(2) The information in table above includes borrowings, marketable securities issued and repo transactions as well as deposits.

3. Information on forward and option agreements and other derivative instruments with the Group's risk group:

| Group's risk group <sup>(1)</sup>                                       | Associates, subsidiaries and joint ventures |              | Direct and indirect shareholders of the Bank |               | Other real and legal persons that have been included in the risk group |                 |
|---|---|--------------|--|---------------|--|-----------------|
|   | Current Period                              | Prior Period | Current Period                               | Prior Period  | Current Period   | Prior Period    |
| <b>Transactions at fair value through profit or loss <sup>(2)</sup></b> |   |              |  |               |  |                 |
| Beginning of the period <sup>(3)</sup>                                  | -   | -            | 442.253                                      | 300.627       | 659.635  | 432.403         |
| End of the period <sup>(3)</sup>  | -   | -            | 150.569                                      | 442.253       | 879.327  | 659.635         |
| <b>Total profit / loss</b>  | <b>(11.463)</b>                             | <b>57</b>    | <b>(1.830)</b>                               | <b>12.415</b> | <b>(75.049)</b>  | <b>(32.013)</b> |
| <b>Transactions for hedging purposes <sup>(2)</sup></b>                 |   |              |  |               |  |                 |
| Beginning of the period <sup>(3)</sup>                                  | -   | -            | -  | -             | -  | -               |
| End of the period <sup>(3)</sup>  | -   | -            | -  | -             | -  | -               |
| <b>Total profit / loss <sup>(4)</sup></b>                               | <b>-</b>                                    | <b>-</b>     | <b>-</b>                                     | <b>-</b>      | <b>-</b>   | <b>-</b>        |

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.

(2) The Bank's derivative instruments are classified as "Financial instruments at fair value through profit or loss" or "Derivative financial instruments held for hedging" according to TAS 39.

(3) The balances at the beginning and end of the periods are disclosed as the total of buy and sell amounts of derivative financial instruments.

b. Information regarding benefits provided to the Group's top management:

Salaries and benefits paid to the Group's top management amount to TL 40.72340.723 as of December 31, 2014 (December 31, 2012 - TL 43.22043.220).

IX. Explanations and notes related to the domestic, foreign, off-shore branches or associates and foreign representatives of the Bank <sup>(1)</sup>:

|                                 | Number | Number of Employees | Country of incorporation | Total assets | Statutory share capital |
|---------------------------------|--------|---------------------|--------------------------|--------------|-------------------------|
| Domestic Branch                 | 1.002  | 17.454              |                          |              |                         |
| Foreign Rep. Office             | -      | -                   | -                        |              |                         |
| Foreign Branch                  | 1      | 3                   | Bahreyn                  | 7.677.632    | -                       |
| Off-Shore Banking Region Branch | -      | -                   |                          | -            | -                       |

(1) The values disclosed above are those of the Parent Bank.

X. Explanations and notes related to subsequent events

In accordance with the decision taken in the Board of Directors Meeting held on January 19, 2015, it was decided to establish a company, with a paid-in capital amount up to 5.000.000 full TL paid by the Bank, which operates in information technology sector and provides software development, research/development and consultancy activities in İstanbul Teknik Üniversitesi ARI Teknokent Teknoloji Geliştirme Bölgesi and it was decided to authorize the Head Quarter of the Bank in order to apply for relevant regulatory approvals and authorizations.



## Section six: Other Explanations and Notes

### I. Other explanations on Group's operations

None

## Section Seven

### Explanations on independent audit report

### I. Explanations on independent auditor's report

The consolidated financial statements for the period ended December 31, 2014 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global Limited). The independent auditor's report dated February 2, 2015 is presented preceding the consolidated financial statements.

### II. Explanations and notes prepared by independent auditor

None.

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# Yapı Kredi Directory

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## YAPI ve KREDİ BANKASI A.Ş.

|                                   |   |
|-----------------------------------|---|
| <b>Trade Registration Number:</b> | 32736   |
| <b>Mernis Number:</b>             | 937002089200741   |
| <b>Address:</b>                   | Head Office<br>Yapı Kredi Plaza D Block<br>Levent Beşiktaş 34330 İstanbul, Türkiye                            |
| <b>Tel:</b>                       | 0212 339 70 00  |
| <b>Fax:</b>                       | 0212 339 60 00  |
| <b>SWIFT Code:</b>                | YAPITRIS  |
| <b>Web Site:</b>                  | <a href="http://www.yapikredi.com.tr">http://www.yapikredi.com.tr</a>   |
| <b>Branch Information:</b>        | Yapı Kredi's branch contact information is available on the Bank's website.                                   |
| <b>Social Media Information:</b>  | Yapı Kredi is active on social media via Facebook, all those channels, the Bank is represented as Yapı Kredi. |

## SUBSIDIARIES ABROAD

|   |
|---|
| <b>YAPI KREDİ BANK AZERBAIJAN JSC</b>   |
| 628 district, C.Mammadguluzade street<br>73G AZ1078, Baku, Azerbaijan<br>Tel: +99 412 497 7795<br>Fax: +99 412 497 0276<br>SWIFT Code: KABA AZ 22                                   |
| <b>YAPI KREDİ BANK MOSCOW</b>   |
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| <b>YAPI KREDİ BANK NEDERLAND N.V.</b>   |
| Rembrandt Tower, 16th Floor<br>Amstelplein 1, 1096 HA<br>Amsterdam, Netherlands<br>Tel: + 3120 462 44 44<br>Fax: + 3120 663 13 31<br>SWIFT Code: KABA NL 2A                         |
| <b>BANQUE DE COMMERCE ET DE PLACEMENTS S.A. (BCP)</b>   |
| Rue de la Fontaine 1<br>P.O. Box 3069<br>CH-1211 Geneva, Switzerland<br>Tel: + 41 22 909 19 1<br>Fax: + 41 22 909 19 00<br>SWIFT Code: BPCP CH<br>Telex Code: 412391 bcp ch         |

## BRANCHES ABROAD

|  |
|--|
| <b>YAPI KREDİ - BAHRAIN BRANCH</b>   |
| Bahrain Development Bank Building,<br>2nd Floor Diplomatic Area<br>P.O. Box: 10615<br>Manama, Bahrain<br>Tel: + 973 175 410 55 / + 973 175 303 13<br>Fax: + 973 175 410 56 / + 973 175 303 11<br>SWIFT Code: YAPI BH BX<br>Telex Code: 9935 yapibah bn |

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